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# Senate

The Senate was not in session today. Its next meeting will be held on Monday, March 20, 2000, at 12 noon.

# House of Representatives

TUESDAY, MARCH 14, 2000

The House met at 12:30 p.m.

## MORNING HOUR DEBATES

The SPEAKER. Pursuant to the order of the House of January 19, 1999, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member, except the majority leader, the minority leader, or the minority whip, limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Iowa (Mr. LATHAM) for 5 minutes.

## ACCOLADES TO WOMEN'S AND MEN'S BASKETBALL TEAMS IN THE STATE OF IOWA

Mr. LATHAM. Mr. Speaker, as everyone knows, we are starting March Madness, and there is something exceptional happening in the State of Iowa. I want to congratulate the Drake Women's Basketball team for making the tournament, but what is really happening in Iowa is the fact that both the Iowa State University Men's and Women's Basketball teams not only won the regular season championship in the Big 12, but each of them also won the Big 12 tournaments over the weekend.

This is unprecedented in the Big 12. The Iowa State Women have had a tremendous year. They are going to host the tournament at Ames; and we wish them the very, very best.

The Iowa State Men at the beginning of the season some people even rated them as being at the bottom of the Big 12 this year. In fact, they came through with an outstanding phenomenon performance and not only won, as I said before, the regular season but won the tournament; and I want to congratulate Marcus Fizer as the Most Valuable Player.

This is a great thing that is happening in Iowa. Minneapolis is going to look like Iowa State Cyclone country this weekend when the Iowa State Men go up there to play in the first round of the tournaments. Both coaches, Bill Fennelly and Larry Eustachy, have done a fabulous job this year. And I just want to send my congratulations to Iowa State, the great performance they have had.

I wish them the best of luck in the tournaments. No matter what happens, they will have given Iowa State fans across this country something really to cheer about.

In conclusion, Mr. Speaker, all I can say is go Cyclones.

## REPUBLICAN ESTATE TAX POLICY

The SPEAKER pro tempore (Mrs. BIGGERT). Under the Speaker's announced policy of January 19, 1999, the gentleman from Massachusetts (Mr. FRANK) is recognized during morning hour debates for 5 minutes.

Mr. FRANK of Massachusetts. Madam Speaker, rarely have the differences between the two political parties been more graphically demonstrated than when we debated the package of a minimum wage increase and tax reductions.

The resistance on the part of the Republican leadership to a fairly small minimum wage increase in the midst of the greatest prosperity we have ever known speaks a great deal to a social insensitivity, but equally distressing to me is their decision that we should begin to reduce one of the most progressive taxes in America. And, of course, their goal is ultimately to repeal it. I speak of the estate tax.

We have some unfair taxes in America, and many people feel that working people, people of average income, people who are making $30,000, $40,000, $50,000 a year pay an unfair share of the tax burden. And I believe that is true in part because of the payroll taxes.

We have one tax, the estate tax, which literally applies only to millionaires. And it does not even apply to millionaires. It applies to people who have shown a rare talent. They have shown an ability to be related to millionaires.

Madam Speaker, I think being related to a millionaire is certainly a great asset in life, and I would recommend it to people. If you have a chance to be related to someone very wealthy, take it. But I do not believe that being related to an extremely wealthy person who has just died is a mark of inherent value. It is neutral. It does not make you a bad person, but it does not make you a hero either.

And the notion that you have an absolute right to be greatly rewarded by your good fortune in having a very rich relative seems to me a mistake. Now,

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

what is particularly interesting is the estate tax brings in a little over $20 billion a year, and it will soon be the case that your estate has to be a million dollars or more before you pay it. And the great bulk of it is paid by people who die and leave tens of millions of dollars.

Now, here is what we do if we abolish the estate tax, as the Republican party wants to do it, we say to old people who, because most of the people who pay the estate tax or over 90 percent were 65 or older when they die, we say to these older people who died rich that we will be very protective of them, or at least of their smart relatives who figured out how to be related to them.

On the other hand, if you are old and alive and not very rich, but you are on Medicare and cannot afford prescription drugs, the Republican position is, well, that is tough, you will just have to learn to deal with it. In other words, the Republican party tells us on the one hand we cannot afford this wealthy Nation to provide full prescription drug coverage to middle-income and lower-income elderly people, not the very poor, they are covered by Medicaid, but people who are making $25,000, $30,000, $35,000 a year in retirement, they ought to get no aid because we need the money that would have gone to pay for prescription drugs to alleviate the problem of Bill Gates' heirs and the heirs of other people who have made millions of dollars.

In other words, we are being asked to show more respect for older people who are dead and rich than for older people who are still alive and not wealthy.

Madam Speaker, now, there is one other aspect of this effort to reduce and, ultimately, repeal the estate tax that ought to be called into question, and that is the negative effect it will have on private charity.

My Republican colleagues talk about how much they want to help private charity. According to a recent study, I will put the New York Times article displaying this study from a couple of Boston College researchers, into the RECORD, for estates that are over $20 million, a very considerable number, 39 percent of the money at death goes to chart, while only 34 percent goes to taxes. And, indeed, these two professors conclude in their study, two eminent scholars from an institution mostly in my district, at Boston College. They conclude that, I am now quoting from the article, if the estate tax is repealed or significantly reduced, however, as Congress voted to do earlier this year in a bill that President Clinton vetoed, that was last year, bequests to charities might be smaller than the Boston College model predicted.

The Republican approach is to go to the aid of the wealthiest 1 or 2 percent of the people in the country and not just to them, but to the people who are smart enough to be related to them or to have otherwise ingratiated themselves to them, to deny prescription drug coverage to the great bulk of middle-income Americans and lower-income Americans, and while we are at it, reduce the amount that goes to private charity. That is the difference between the parties.

Madam Speaker, I include the following two articles for the RECORD which illustrate these points.

[From the New York Times, July 25, 1999]

STUDY CONTRADICTS FOES OF ESTATE TAX

(By David Cay Johnston)

Congressional opponents of the estate tax say it discourages savings, costs the economy more than it raises for the Government and makes it very difficult for a family-owned farm or business to be passed to the next generation.

But all of those arguments are contradicted by Government tax and economic data, according to a book-length study that will be published tomorrow in the policy magazine Tax Notes.

The article comes after the House passed on Thursday night the Republicans' bill to cut taxes by $792 billion, including the repeal of the estate tax. Similar legislation was being considered in the Senate but the outcome of the repeal is in doubt because President Clinton has promised to veto it.

Yet the article in Tax Notes seems likely to have a profound effect on the debate over estate taxes, experts say. Data from estate tax returns and other records do not support the claims of estate tax opponents, according to the article, by Charles Davenport and Jay A. Soled, professors at Rutgers University who teach estate tax law and business management.

The estate tax is projected in the Federal budget to raise about $28 billion this year. That is less than one-third of 1 percent of the gross domestic product, which is too slight to retard economic growth, the authors say.

While the tax rate on the largest estates can be 55 percent, Internal Revenue Service data cited in the study show that in 1996 the average tax on estates of $600,000 to $1 million was 6 percent.

It costs the I.R.S. 2 cents on the dollar to administer the tax, the authors calculate. They say the combined private and Government costs total about 7 cents on the estate tax dollar.

Professors Davenport and Soled said Congressional testimony by critics of the estate tax contending that the tax costs more than it raises was based on flawed data, including a study that estimated that every dollar raised in Federal income taxes cost the economy 65 cents more. That figure was dismissed as absurd by the authors.

They also disputed another contention of the critics, that rich people spend heavily in their later years in order to reduce estate taxes. Instead, the authors say, many rich people save more money to offset the tax

They say that the reasons family businesses are not passed to the next generation have little to do with estate taxes. A primary reason, the authors say, is the burden on heirs who want to keep the business and must raise cash to pay off those heirs who do not.

While the estate tax nominally begins when net worth at death exceeds $650,000 (1.3 million for a married couple), Congress lets a couple pass on $4.5 million untaxed if they own a business and $7.4 million if they own a farm. Only about 1 in 1,000 American families is worth $7.4 million.

The estate tax will be paid this year by the wealthiest 2 percent of Americans who die.

The Congressional Joint Committee on Taxation estimated last week that repeal of the estate tax would reduce Federal revenues by $75 billion over the next 10 years, even though the Federal budget projects the estate tax will raise more than that amount in the next three years alone.

The chairman of the House Ways and Means Committee, Representative Bill Archer of Texas, who had not seen the article, said that he was skeptical of its claims and any data drawn from I.R.S. records.

''Every dollar taken by the death tax is a dollar taken out of savings when what this country needs is more private savings,'' said Mr. Archer, the author of the House Republicans' tax bill. He said the costs of the estate tax included discouraging wealthy foreigners from moving to the United States with their capital and skills.

As to whether existing exemptions are enough for farms to stay in families, he said, ''The input from the Ag Belt is totally contrary to that.''

The authors say that among the virtues they see in the estate tax are that it taxes some money that has slipped past the income tax system, it is paid only by those most able to pay, it encourages financial planning and charitable giving and it tends to ease the trend toward concentration of wealth. The richest 1 percent of Americans now one half of all stocks, bonds and other assets, a record level, according to Professor Edward N. Wolff of New York University.

Experts say the Tax Notes article may be as influential as the 1994 Yale Law Review article by Edward J. McCaffery of the University of Southern California Law School, who exhorted liberals to join conservatives in opposing the estate tax as inefficient and unfair. Since then, the Tax Notes article says, ''talk about the death-tax has been a monologue by the tax's opponents.'' The article is available at www.tax.org on the internet.

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[From the New York Times, October 20, 1999]

A LARGER LEGACY MAY AWAIT GENERATIONS X, Y AND Z

(By David Cay Johnston)

Boston College researchers say that the widely cited estimate that $10.4 trillion of wealth will be transferred to younger generations over a half-century is far short of the likely amount. They estimate the wealth transfer will be $41 trillion to $136 trillion.

''It can now be safely said that the forthcoming wealth transfer will be many times larger than anyone has previously estimated,'' said Paul G. Schervish, director of the Boston College Social Welfare Research Institute, who has spent the last 15 years studying wealth and who created a computer model to study wealth transfers.

The new figures suggest that charities, in particular, stand to benefit from a platinum era of giving. Mr. Schervish and John J. Havens, his deputy at the institute, estimated that between now and 2055 charities would receive bequests of $16 trillion to $53 trillion, measured in 1998 dollars, assuming that the estate tax remains unchanged.

The widely cited estimate of $10.4 trillion—about $13 trillion today adjusted for inflation—in wealth transfer was made in 1993 by two Cornell University professors, Robert B. Avery and Michael S. Rendall, using data from the Census Bureau and other sources. Their estimate was restricted to households in which the chief wage earner was 50 or older and who had living children; it covered 1990 to 2044.

The Boston College analysis, using a computer simulation model created to estimate wealth transfers, covers all Americans who were at least age 18 in 1998. It estimates wealth transfers from 1998 to 2052, when the youngest of those in the study will turn 73.

The Boston College study is based on modest assumptions about growth in wealth compared with historical experience. The study's low estimate that $41 billion will be transferred between generations by 2055 assumes that the value of all assets, adjusted for inflation, increases at 2 percent annually, while the high estimate assumes 4 percent annual real growth. Another profile assumes 3 percent annual real growth in the value of assets and projects $73 trillion in wealth transfers.

Actual growth in wealth, adjusted for inflation, averaged 5.3 percent annually from 1950 to this year, according to Prof. Edward N. Wolff, a New York University wealth expert.

Total wealth in 1998 was $32 trillion, the Boston College researchers estimated. Professor Wolff, who had not seen the new study, said, ''That figure is in the right neighborhood,'' noting that his own research indicated total wealth of $29.1 trillion today.

The amount of wealth transferred can be greater than current wealth for two reasons. One is economic growth. The other is that over 55 years some fortunes will pass through two—even three—generations. Mr. Avery, now an economist with the Federal Reserve, said that while he had some qualms about the techniques used by the Boston College researchers, as described to him in a telephone interview, their estimates sounded reasonable over all.

Mr. Avery warned, however, that while economists could make fairly accurate predictions about death rates far into the future, assumptions about how much wealth people would accumulate were risky, especially looking out a half-century.

''The important message is that there is a lot of wealth in this country,'' Mr. Avery said.

John J. Havens, a co-author of the Boston College study, said that while he was confident of the economic model he wanted to focus on the low end of the estimate, $41 trillion, because ''it helps protect against potential charges of irrational exuberance arising from'' the computer model's assuming steady economic growth without a depression or a sustained recession in the first half of the 21st century.

A quarter-century ago Professor Havens developed one of the first computer programs to model economic behavior. The model estimates that for estates of $20 million or more, 39 percent of the money will go to charity, 23 percent to heirs, 34 percent to taxes and 3 percent for fees and burial expenses. Data from the Internal Revenue Service show the same ratios in 1995 for large estates.

For estates of $1 million to just under $5 million, the study assumes that charity will get 8 percent; heirs, 66 percent; taxes, 22 percent, and fees and burial expenses, 4 percent.

For estates of less than $1 million, Professors Schervish and Havens estimated, nearly 90 cents of each dollar would be passed to heirs and little would go to charity or taxes.

One recent analysis found that among estates valued at $600,000 to $1 million in 1997, estate taxes averaged 6 percent, even though the estate tax rate began at 37 percent on amounts above the $600,000 exemption then in effect.

The Boston College study covers what are known as final estates, meaning the death of a single person or the second spouse in a married couple, since bequests to a spouse are tax free. The estimates of how much will be bequeathed to charity may be low, based on I.R.S. data in recent years, which show that growing numbers of people are engaging in estate planning so that more of their money will go to charity after their deaths and less to the Government. The I.R.S. data show that the share of money in estates going to charity is slowly rising, a trend that if continued through 2055 would mean far more for charities than the $16 trillion to $53 trillion cited in the study.

If the estate tax is repealed or significantly reduced, however, as Congress voted to do earlier this year in a bill that President Clinton vetoed, bequests to charities might be smaller than the Boston College model predicted.

## HERE WE GO AGAIN

The SPEAKER pro tempore (Mrs. BIGGERT). Under the Speaker's announced policy of January 19, 1999, the gentleman from Florida (Mr. STEARNS) is recognized during morning hour debates for 5 minutes.

Mr. STEARNS. Madam Speaker, I might point out to the gentleman from Massachusetts (Mr. FRANK) that all the money that is in the estate has already been taxed and what Republicans are trying to say is why should the Government tax twice this money that is there.

Madam Speaker, I am here because of recent newspaper articles that have been published, especially in the New York Times. Last Thursday, a Federal jury convicted Maria Hsai, a friend and a political supporter of Vice President AL GORE, on five felony counts for arranging more than $100,000 in illegal donations during the 1996 presidential campaign.

Prosecutors allege that Hsai tapped a Buddhist temple and some of her business clients for money to reimburse Hsai donors who were listed as contributors in campaign records.

Hsai was charged with causing false statements to be filed with the Federal Election Commission. According to evidence presented in the case, $109,000 in reimbursed donations went to the Clinton-Gore 1996 campaign and to the Democratic Party.

Hsai's fund raising also included $65,000 in Hsai donations which she funneled through monks and nuns the day after Vice President GORE's 1996 visit to the Buddhist Temple in California.

Now, of course, Madam Speaker, the Vice President initially had no recollection that he was attending a fund raiser but believed, rather, that he was attending a community outreach program. That is, of course, until the video footage surfaced showing him at the temple and after documents turned up that referred to the event in advance as a fund raiser. Only then, Madam Speaker, did the Vice President modify his characterization, saying he thought it was a finance-related situation.

Ironically enough, in response to Hsai's conviction, the Attorney General, Janet Reno, said, ''The verdict sends a clear message that the Department of Justice will not tolerate violations of our Federal campaign finance laws.''

Evidently her comments need to be revised to mean the Department of Justice will tolerate campaign finance laws in some cases and not in others, for the Attorney General's action indicate there are certain violations of our Federal campaign finance laws she is willing to tolerate or unwilling to get to the bottom of.

The Los Angeles Times reported last Friday on Charles LaBella's report to Attorney General Janet Reno warning that numerous conflicts of interest made the Justice Department's insistence that its own lawyers handling the inquiry into the 1996 Clinton-Gore campaign a ''recipe for disaster.''

Madam Speaker, my colleagues will recall that Mr. LaBella was hand picked by the Attorney General to head the Campaign Financing Task Force and to take over the Department of Justice's public integrity section's investigation into political fund-raising abuses.

Mr. LaBella's report, which the Attorney General has still kept sealed for nearly 2 years, found ''a pattern of conduct'' on the part of White House officials, including the President, that warranted an independent counsel probe.

Additionally, Mr. LaBella found that senior Justice officials engaged in ''gamesmanship'' and legal ''contortions'' to avoid an independent inquiry into the Clinton-Gore fund-raising abuses.

According to the L.A. Times, Madam Speaker, Mr. LaBella found ''The campaign finance allegations present the earmarks of a loose enterprise employing different actors at different levels who share a common goal, bring in the money.''

Among those singled out for special treatment according to the LaBella report were the President, Vice President AL GORE, First Lady Hillary Rodham Clinton, and former White House aide Harold Ickes.

The Times said the report was the first indication, the first indication, that Mrs. Clinton's involvement in the fund-raising scandal arising from the 1996 presidential election was under scrutiny.

Since the fund raising first made headlines in 1996, Attorney General Janet Reno has refused to allow outside prosecutors to narrowly focus their investigations of alleged White House wrongdoings. Examples include her refusal to appoint investigations into fund-raising telephone calls by the Vice President from the White House and the issue ads funded by the Democratic National Committee.

To further confound matters, she has long gone against her own FBI director.

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair must remind Members that it is not in order in debate to level or repeat personal charges against the President or the Vice President.

Mr. STEARNS. Madam Speaker, this is being reported from the L.A. Times, the New York Times, and all the newspapers in Central Florida. So all I am