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## Senate

The Senate met at 9:31 a.m. and was called to order by the Honorable JUDD GREGG, a Senator from the State of New Hampshire.

### PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Gracious Father, we pray for the women and men of this Senate. May they feel awe and wonder that You have chosen them through the voice of Your people. May they live this day humbly on the knees of their hearts, honestly admitting their human inadequacy and gratefully acknowledging Your power. Dwell in the secret places of their hearts to give them peace and security. Help them in their offices, with their staffs, in committee meetings, and when they are here together in this sacred, historic Chamber. Remind them of their accountability to You for all they say and do. Reveal Yourself to them. Be the unseen Friend beside them in every changing circumstance. Give them a fresh experience of Your palpable and powerful Spirit. Banish weariness and worry, discouragement and disillusionment. Often today may we hear Your voice saying to us, "Come to me, all who are weary and heavy laden and I will give you rest." Lord, help us all to rest in You and receive the incredible resiliency that You provide. Thank You in advance for a truly productive day. In the name of our Lord. Amen.

### PLEDGE OF ALLEGIANCE

The Honorable HARRY REID, a Senator from the State of Nevada, led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

### APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. THURMOND).

The assistant legislative clerk read the following letter:

U.S. SENATE,  
PRESIDENT PRO TEMPORE,  
Washington, DC, May 21, 2001.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable JUDD GREGG, a Senator from the State of New Hampshire, to perform the duties of the Chair.

STROM THURMOND,  
President pro tempore.

Mr. GREGG thereupon assumed the chair as Acting President pro tempore.

### RECOGNITION OF THE ACTING MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The Senator from Wyoming.

### SCHEDULE

Mr. ENZI. Mr. President, today the Senate will resume consideration of the reconciliation bill with 8 hours remaining for debate. Senator GREGG will be recognized momentarily to debate his amendment and will be followed by Senator WELLSTONE. Under the order, there will be up to 1 hour for debate on first-degree amendments and 30 minutes for debate on second-degree amendments. Votes on all amendments and final passage will begin at 6 p.m. Senators are encouraged to remain in the Chamber during votes in an effort to complete all action on the bill in a timely manner.

I thank my colleagues for their attention. I yield the floor.

### RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

### RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of H.R. 1836 which the clerk will report.

The assistant legislative clerk read as follows:

A bill, H.R. 1836, to provide reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

Pending:

Fitzgerald amendment No. 670, to provide that no Federal income tax shall be imposed on amounts received by victims of the Nazi regime or their heirs or estates.

Gregg amendment No. 656, to provide a temporary reduction in the maximum capital gains rate from 20 percent to 15 percent.

Carnahan/Daschle amendment No. 674, to provide a marginal tax rate reduction for all taxpayers.

Collins/Warner amendment No. 675, to provide an above-the-line deduction for qualified professional development expenses of elementary and secondary school teachers and to allow a credit against income tax to elementary and secondary school teachers who provide classroom materials.

Rockefeller amendment No. 679, to delay the reduction of the top income tax rate for individuals until a real Medicare prescription drug benefit is enacted.

Bayh modified amendment No. 685, to preserve and protect the surpluses by providing a trigger to delay tax reductions and mandatory spending increases and limit discretionary spending if certain deficit targets are not met over the next 10 years.

Landrieu amendment No. 686, to expand the adoption credit and adoption assistance programs.

Graham amendment No. 687, of a perfecting nature.

Graham amendment No. 688, to provide a reduction in State estate tax revenues in proportion to the reduction in Federal estate tax revenues.

AMENDMENT NO. 656

The ACTING PRESIDENT pro tempore. Who seeks time?

The Senator from Nebraska.

Mr. HAGEL. Mr. President, I thank the Chair. Good morning.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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I rise this morning to support the Gregg amendment. I am proud to be a cosponsor of the Gregg amendment. The Gregg amendment, very simply, cuts the capital gains tax rate from 20 to 15 percent over a 2½-year period. The cut will sunset on December 31, 2003.

The Gregg amendment is about one thing; it is about sustaining economic growth in this country. I think most Americans understand it is investment capital that fuels the engine of economic growth. That engine of economic growth is productivity. There is no growth without investment and productivity.

We have been debating over the last few months—and we will continue to debate—a fiscal year 2002 budget. That budget calls for expenditures by the Federal Government of around \$1.9 trillion. That is a lot of money. From where does that money come? It comes from tax revenues.

At the same time we are debating the priorities of that \$1.9 trillion budget, we are looking at expanding Government programs. As we prioritize the programs that are important for our people for future generations, that is part of our charge. That is part of the responsibility we have as policy-makers.

One of the things we have done recently is we have voted to set aside \$300 billion over the next 10 years for a new prescription drug plan for Medicare. It is important. It is relevant. It is needed. We must move on it. What that will do is, of course, build onto an already very significant amount of uncontrollable budget expenditure, the Medicare program, another new very expensive program.

We prioritize that issue in this country. We have essentially said, as did President Bush in the campaign last year, Democrats and Republicans in Congress, we want that prescription drug plan. So \$300 billion has been set aside during the next 10 years to add on a new prescription drug plan. I suspect most Americans understand it is going to be far more than \$300 billion over the next 10 years by the time we put it all in place. And the hidden cost of that which we do not factor in is the outyears after the 10 years when we will saddle all future Americans with that additional add-on expense of Medicare.

When you look at that \$1.9 trillion Federal budget today, you will find that about two-thirds of that is already locked in. That is nondiscretionary. There is nothing we can do about that. We can debate, we can pass laws, but unless we want to change Medicare, unless we essentially want to do away with parts of Medicare and other entitlement programs that we want, that we have prioritized, the fact is that two-thirds of our budget is already committed and we are adding to that.

That is a decision we have all come to, as a society. We want that. The question comes back to what the Gregg

amendment is all about. How do we continue to pay for that? How do we pay for that additional prescription drug plan that will cost billions, and hundreds of billions in the outyears, and all the other programs to which we have committed?

We do that by sustaining our economic growth. Government does not produce growth. Government can only do certain things. It is the private sector that produces growth because it is the private sector that develops the productivity which enhances growth and develops and drives growth.

Some of us believe the way to sustain growth is to free up more of that capital so more people in the private sector have that capital in their hands so they can save, they can invest, they can put it in new venture start-up firms that are the firms that will find the technologies and the solutions to the challenges that we have, not just today but what we will face tomorrow. When that investment capital dries up, you will see the consequences as our technology bogs down in every industry, in every discipline—science, health, medicine, national security, new energy sources, new technologies. It is capital, private capital that drives that.

So this amendment is about freeing up some of that capital that is locked in because of ridiculous tax rates. In fact, the United States is one of the very few countries in the world that taxes capital, and we have about the highest capital tax rates of any country in the world. It make no sense to do this.

The other thing it does, as we have seen very clearly from the last two cuts in the capital gains rates, in 1981 and 1997, it increases revenues into our Treasury. We find we are receiving more tax revenues as a result of freeing up those locked down assets.

What does that mean? It means we win all the way around. Unfortunately, we take that fact of life, that reality, that more revenue comes in when we cut capital gains rates, and we score that as a negative. We don't score that as we should, that, in fact, we will find a new source of revenue, a bigger source of revenue. That is another issue.

Capital gains taxes no longer affect just the wealthy. A recent U.S. Treasury Department study found that roughly three-quarters of all families in the United States own capital assets. The study further found that about 30 percent of those families whose incomes are less than \$20,000 held capital assets, as did 50 percent of families with incomes between \$20,000 and \$50,000. So who pays the tax? It is not just the so-called wealthy, unless you are in that \$20,000 to \$50,000 bracket and you consider yourself wealthy. I don't think you do.

According to IRS data from 1998, 25 million returns filed that year reported capital gains; they reported capital gains on their tax return. That rep-

resents about one in five returns. Of those, 40 percent reporting capital gains had incomes of less than \$50,000 and 59 percent of those filing those returns with capital gains had incomes of less than \$75,000.

It is rather clear, I think, to most of us, that, in fact, capital assets are held by a very significant majority of Americans: pension plans, IRAs—wherever you invest. Whatever the pension plan is, most likely that plan is invested in stocks, in the productivity of this country, in the base of this country.

So as a result of reducing capital gains taxes, the economy will continue to grow. We will have sustained growth creating more jobs, better jobs, generating more capital, and increasing productivity, the engine of growth. All sectors of the economy benefit, increasing more tax revenues into the U.S. Treasury.

Sustaining economic growth is the purpose of the Gregg amendment. I encourage all my colleagues to take a serious look at this amendment. If they do, I believe they will come to the conclusion that this country needs a reduction in its capital gains tax.

I yield the floor.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from New Hampshire.

Mr. GREGG. How much time is remaining and how has it been allocated?

The PRESIDING OFFICER. There are 20 minutes on the time of the Senator from New Hampshire; 30 minutes on the other side.

Mr. GREGG. Is there someone to speak in opposition?

Mr. BAUCUS. Not yet, not at this point.

Mr. GRASSLEY. I want to make clear I am in opposition, too, but right now I don't have anyone to speak.

Mr. BAUCUS. Just for the sake of completing the record, I will speak in opposition.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. I appreciate the arguments of my good friend from New Hampshire. Clearly, as capital gains taxes affect the transfer of capital, that is of property, they can affect the degree to which this economy prospers. There is no doubt that capital gains tax rates are a factor in the acceleration of growth rates.

I must point out, though, when the President proposed his tax cut bill of \$1.6 trillion, he did not include any capital gains provisions—none whatsoever. I wouldn't want to second guess the President, but the point is he himself thought it made more sense to lower individual rates and not to lower capital gains rates at this time.

I think, if you look at the bill the Finance Committee has brought to the Floor, you will see it is a bill designed to reduce individuals' income taxes. Whether it is the marriage penalty provisions, child credit rates, the new 10-percent bracket—they are all on the individual side. There are no corporate

provisions, nor are there any affecting capital gains.

Another problem I must point out about the proposal by my good friend from New Hampshire is that it is temporary. We have heard many people legitimately voice their concerns about the complexity of the Tax Code, and the capital gains provisions are responsible for their fair share of that complexity. If we have an on-again, off-again capital gains provision, it is not only going to add to the complexity, but it will add some uncertainty as well. People will not know what congressional policy is with respect to capital gains.

That is less true with respect to other provisions. Let's take the R&D tax credit as an example. It is true that Congress over the years has been a bit inconsistent in the number of years for which it extends the R&D tax credit. Sometimes it is extended for 1 year, others a few years. There was a time a few years ago when it lapsed completely for a short period of time. Yet people know Congress will stand by the R&D tax credit so they have some ability to count on it when they do their planning.

It is much less clear with respect to capital gains. The capital gains provisions have changed dramatically over the years, both in structure and in rates. People don't know what to expect with respect to how they will be taxed in the future.

Finally, I must point out that this amendment is not germane to the underlying bill, and at the appropriate point I will make a point of order to that effect.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from New Hampshire.

Mr. GREGG. Mr. President, I yield myself such time as I may consume.

First, I think we have to understand what the capital gains tax cut will do. It will generate prosperity. It will generate capital that is today locked down in investments that are not productive, take that capital, cause people to convert that capital to cash, and reinvest it in other economic activity which will create jobs, create prosperity.

Every time we have reduced the capital gains rate in this country, we have seen a flow of revenues into the Federal Treasury also. So not only does it create economic activity in the community at large, and create more investment activity, and thus create more entrepreneurship, and thus create more jobs, it also creates more cash coming into the Federal Treasury.

Why is that, you may ask. How can a tax cut actually generate more income? Because, very simply, the income is never realized if the money stays locked down. It never occurs unless you create the tax cut. When you create the tax cut, people have an incentive to go out and convert those capital assets—which today are just sitting there—into cash, and as a result they generate revenue, and that revenue

is taxed. As a result, the Treasury gains more money.

In fact, we do not have to think of this in theoretical terms anymore. We have a series of events which have shown this to have actually occurred. The last time it was suggested that we cut capital gains rates, it was also suggested those capital gains rates would, again, over a period of time, create a loss to the Treasury. In fact, just the opposite occurred. The estimates were off by \$100 billion the last time the capital gains rates were cut. We received \$100 billion more of income to the Government than we expected as a result of the capital gains activity during the period from 1997 through 2000.

So this year we come forward with a proposal which is a limited capital gains cut, the purpose of which is to energize the economy, create activity, and, as a side bar, it will generate revenues to the Federal Government.

It has been scored as a positive generator of revenues to the Federal Government for the first 3 years by the Joint Tax Committee. Unfortunately, when they looked over 10 years, they did not look, I guess, at the historical data because, if they had, they would have seen that historically there is a factual event which shows it continues to generate positive revenues. Instead, they went to some sort of model they used at Joint Tax and came up with the estimate that in 10 years there might be a loss to the Treasury of \$10 billion. Remember, this is \$10 billion on a \$3.5 trillion tax cut. So it is less than 1 percent of the entire event. And even that number is suspect.

So the simple fact is, the argument that this is going to lose money for the Treasury cannot be supported, either in the short term, where it will generate cashflow, or in the long term, where we have seen positive cashflow to the Treasury as a result of the capital gains cut that was done in the early 1990s. So that makes no sense.

This argument on germaneness also makes no sense. In two places in this bill capital gains are affected. They are affected on the AMT, and they are affected on the estate tax. So clearly capital gains activity is a germane event.

But most importantly, we get back to the original point, which is that by cutting capital gains we actually will generate more economic activity in the marketplace, we will give people more cash, more investment assets. They will go out, take risks, create jobs, and thus create prosperity. That should be our goal in the tax cut.

Mr. President, I ask unanimous consent that Senator HAGEL be added as a cosponsor of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GREGG. As was mentioned so appropriately by the Senator from Nebraska, this is no longer a tax issue for the wealthy; this is a tax issue for middle America. Middle America is aggressively investing in the stock market

today through their pension plans and also through their individual activity. Reducing the capital gains rate will significantly and positively impact middle America, something this tax bill does not do in the most effective way, in my opinion.

More importantly, it will affect them today because it will give them the opportunity—starting next month, if this tax bill passes—to take advantage of a lower tax rate, which will have an immediate impact on their ability to generate profits and gains and take those profits and gains and put them into new investments which will generate new jobs, which will generate more prosperity.

It is a win-win situation for us because we generate more prosperity as a result of more economic activity and more investment and we actually generate more revenues for the Federal Government.

So I certainly hope, when we get to the point of voting, if there is a motion to repeal this amendment on the issue of germaneness, that will not be brought forward because I might win, and I would not want to undermine the germaneness rules of the Senate by winning that vote. I think it might make more sense, if that motion is going to be made, that it be made on the issue of the cost estimates of this bill. We could waive that motion and, hopefully, be successful.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Thirteen minutes.

Mr. GREGG. I yield 10 minutes to the Senator from Arizona.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arizona.

Mr. KYL. Mr. President, I thank the Senator from New Hampshire for bringing this amendment forward. If I am not listed as a cosponsor, I ask unanimous consent that I be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. I note that I offered a similar amendment myself. In fact, I know several of us offered similar amendments because this is such a good idea.

I begin by complimenting the Presiding Officer for the extraordinary job he has done in putting together a compromise tax bill. It is with great hesitancy that I suggest an amendment to this bill, but I know if it were not so critical to get a lot of support from disparate groups of folks, the Presiding Officer undoubtedly would be supporting an amendment of this type as well.

So I simply agree with the Senator from New Hampshire that the primary point here is to both raise revenue and stimulate the economy, which is what a capital gains rate reduction will do. That is what our prior experience in this country has been. Clearly, that is what would happen in this particular case.

So again, what this amendment does is reduce the long-term top rate from 20 to 15 percent for a 2½-year period, from June 2001 to December 31, 2003—a period of 2½ years. That is the period at which the rate will be reduced.

What would be the impact of that? All investors, it has been pointed out—small, medium, and even large investors—would understand there is a window of time for 2½ years, during which they could dispose of assets, sometimes assets they have held for a long period of time because they have not wanted to have to pay the large capital gains rate on them. So they have held on to the asset, thus, in effect, making less money available for investment into the newer technologies and the more exciting things in the market today. It would provide a 2½-year window for all of these people to go ahead and sell those older portfolio stocks, those older assets of land or equipment—or whatever it might be that they have been hesitant to sell in the past because of the huge tax they would have to pay—a 2½-year window to dispose of those assets, take the cash, and reinvest it in something that would help the new economy even more.

That kind of churning effect in the past has been demonstrated to provide not only stimulus to the economy, as the Senator from New Hampshire said, but also more revenues to the Treasury. Indeed, Joint Tax, which does not have a reputation of favorably scoring these kinds of things, noted that during the first 4 years there would be a net gain in revenue to the Treasury from the reduction in the capital gains rate. It is only after that that they have estimated a very slight loss that would occur thereafter. I disagree with that estimate. But, in any event, clearly this is the way to both stimulate the economy and increase revenues.

I think it is unassailable by any standard that the capital gains rates in this country are too high. According to a study by the American Council for Capital Formation, American taxpayers face capital gains tax rates that are 35 percent higher than those paid by the average investor in other countries. This is an area where virtually every other country on the globe outcompetes the United States because they recognize the anchor effect, the drag effect, of a capital gains rate on their economy. We need to get in the game, and we can do that by reducing our capital gains rates.

Lowering the rates will be a boost to the economy. The recent individual capital gains rate reductions have boosted U.S. economic growth. These are facts. Reducing the cost of capital promoted the kind of productive business investment that fostered growth in output and in high paying jobs. Lowering the capital gains rates aided entrepreneurs in their efforts to promote technological advances in products and services most people wanted and needed. It has this unlocking effect I mentioned earlier.

Further reductions in the capital gains rates will enhance savings, investment, GDP growth, and boost equity values.

A recent analysis done by Dr. Allen Sinai, President and CEO of Decision Economics, concluded that the capital gains reductions that were included in the 1999 tax bill, which was vetoed by President Clinton, which would have reduced long-term rates from 20 down to 18 percent, would have had a significant, positive impact on the economy. The analysis indicates that if the rate reductions had been enacted, real GDP would be \$64.6 billion higher, and employment, investment, new business formation, and national savings would be greater over the period of 2000–2004.

It is quite likely—I think evident—that our economy would be in much better shape today had the previous administration appreciated the importance of capital formation growth and the President not vetoed the capital gains reduction we passed.

The recent Federal Reserve Board report indicated that Americans lost nearly \$2 trillion in wealth in just the last quarter of 2000 as a result of the stock market decline. That is approximately a loss of \$20,000 in wealth and capital for each household in America—think of that—the equivalent of \$20,000 in loss for each household in America. Of course, less household capital means less capital available for investment and capital formation.

Reducing the capital gains tax rate will encourage investors to unlock cumulative gains of the past. Capital would be more free to go into the entrepreneurial and future-oriented, technology-generating enterprises. In particular, venture capital investment, which is vital to this new technological innovation and productivity, will benefit as a result of the unlocking of this capital.

Let's not forget about national savings. Reducing capital gains taxes means less taxes on Americans who choose to save for their future.

To conclude, this estimate by Joint Tax indicates a revenue increase to the Treasury for the first 4 years. There is not another provision in the tax bill the Presiding Officer has so carefully crafted that will produce actual increases in revenue during this period of time. This is exactly the time when our economy needs the boost. I can't think of anything that would be better for inclusion in this tax bill than this temporary reduction in the rate of capital gains paid by Americans.

The fact that they declare a slight net loss in the time thereafter is simply an indication of the kind of poor estimating they have done in the past.

Again, it is a very small amount of money, and the time we really need the boost is right now. That is where Joint Tax indicates there would be a revenue increase.

The amendment to this bill complements many aspects of the President's plan. It adds another important

addition, immediate relief for capital formation and growth. That is what this tax plan is all about. That is what the American people are expecting as the result of the plan. That is why this idea put forth by several of us, encapsulated in the amendment of the Senator from New Hampshire, is such a great idea.

I urge my colleagues, when the time comes, to support this amendment as something that will both generate new revenue and foster capital formation for the American economy. I thank the Senator from New Hampshire for offering the amendment.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, how much time remains on each side?

The PRESIDING OFFICER. Twenty-six and a half minutes in opposition.

Mr. BAUCUS. I yield myself 10 minutes.

Mr. President, I note with some amusement the last Senator criticizing the previous President for not being more sympathetic to capital gains reductions. I remind my good friend, the current President also does not seem to have much interest in further capital gains reductions because he, in his big tax bill, did not include any capital gains reduction provisions. Some time down the road he may suggest it. But in this big tax bill, which certainly is one of the major pieces of legislation the President would like to see enacted, this administration does not include any capital gains provisions.

Mr. KYL. Mr. President, will the Senator yield for a quick comment?

Mr. BAUCUS. Certainly.

Mr. KYL. Does the Senator from Montana believe that President Bush, however, would veto a capital gains reduction as President Clinton did?

Mr. BAUCUS. Mr. President, I cannot answer that kind of hypothetical because there is no way of knowing what else might be in that bill the President may not like, just as there's no way of knowing whether President Clinton would have vetoed a capital gains reduction standing alone. Presidents don't have the ability to line-item veto, so it is very hard to answer that question.

But my basic point is clear: This bill contains no capital gains provisions, and for that reason, the amendment is nongermane.

As I mentioned earlier, the amendment offered by my good friend from New Hampshire adds much greater complexity to the tax bill than already exists by making capital gains reductions apply only for a short period of time. We have had a difficult enough time as it is in this bill to try to fit a more progressive bill into the confines of \$1.35 trillion over 11 years. We wanted to provide for marriage penalty relief, refundability of the child tax credit and expansion of the Earned Income Tax Credit, lower marginal rates, increased pension benefits, education deductions for college tuition. It has been very hard to fit in all those provisions.

Now the Senator from New Hampshire would add more complexity by making this capital gains provision active only for a short period of time. I believe a major amendment such as this one needs to be thoroughly vetted before we impose a new capital gains structure through this bill.

Many different ideas on how to treat capital gains have been proposed. For example, some Senators have suggested capital gains exclusions, either in the form of a dollar amount exclusion or as a percentage exclusion. This type of capital gains reform actually makes the code much more simple. It is easier to administer, and it might make more sense for more taxpayers; that is, the first  $x$  amount of dollars of capital gains could be excluded when computing one's income taxes, or one could say the first 50 percent of capital gains could be excluded.

Years ago, we did have a percentage exclusion, and it made sense. And it represented another way of providing lower capital gains taxes, in the form of an exclusion as opposed to a straight lowering of the rates.

A lot of Americans who holders of mutual funds are concerned about capital gains today because, while the value of their mutual funds declined last year, in many cases they nevertheless paid capital gains taxes on stocks the portfolio manager traded in order to maximize the value of the fund. So even though the shareholder's value declined, he is still paying capital gains taxes in many cases. This doesn't seem to make a lot of sense, but the taxpayer gets to deduct those losses at a later date when he sells the shares.

It has been suggested that we should try to help these taxpayers too, perhaps by allowing them to defer the gains that the portfolio manager provided to the shareholder by trading securities in the portfolio. That would be a way to deal with the capital gains taxes millions of Americans in that situation are facing, even though the shares of their mutual funds are declining. Providing this type of deferral would tend to help middle-income taxpayers a lot more than the amendment offered by the Senator from New Hampshire, which will tend to help wealthier taxpayers.

There are other ways to deal with capital gains taxes too, which have been proposed but not considered this year by the Finance Committee. This is a major modification to the Tax Code designed to stimulate the transfer of assets, yet it hasn't been considered by the Committee of jurisdiction to determine whether this particular approach is the best one to take. I don't think it is good public policy to write such a major provision on the Senate Floor without the Finance Committee's participation.

I think it would be much wiser for us to defer this until later this year, or maybe next year, when there is an opportunity to debate it more fully. The Joint Tax Committee has produced a

study on the simplification of the Tax Code, and I will point out again that some of the greatest complexities in the code are the result of our capital gains provisions. In part, this complexity results because of the differential between capital gains rates and ordinary income rates.

The greater that differential, the more taxpayers try very creative ways to move their assets so they are not taxed at ordinary income rates, but rather capital gains rates. And this effort to re-characterize income can stretch the meaning of normal tax concepts. This amendment would exacerbate these efforts because the gap between rates would be greater and people would have more incentive to try to manipulate the characterization of their income in order to improperly minimize their taxes.

My main point is that this is an attractive idea on its face. Clearly, lowering capital gains rates would stimulate the transfer of assets and may accelerate growth, at least in the short term. But this is not the time and place for this amendment.

As for the revenue issues, the Senator has touched on the issue of dynamic scoring versus static scoring methodologies. This brings up an age-old problem we deal with in Congress—that is, how to determine what the revenue impact will be when we change the Tax Code. Those who support dynamic scoring claim that tax cuts, whether in capital gains rates or otherwise, actually raise revenue rather than losing it because of the interactive effect of economic growth. The Joint Tax Committee, in what is almost an art more than a science, generally does a good job of taking into consideration those taxpayer behaviors that are the most reliable when they attempt to estimate the impact of a provision.

I think we have to trust the Joint Tax Committee, which is the agency we all depend upon to determine scoring, which says that the provision actually loses revenue in the context of this bill.

I appreciate the effort of my friend from New Hampshire, but I truly believe this time this is not the time and place for this amendment. I will raise a point of order at the appropriate time.

I reserve the remainder of my time.

Mr. LIEBERMAN. Mr. President, I rise to explain my vote in favor of amendment No. 656 to the tax bill that we are debating today. The record clearly shows my strong support for fiscal discipline and responsible tax reduction. It also shows my strong opposition to the underlying tax cut because it is too large and too careless. However, I am voting in favor of this amendment even though it contains no offsets and could potentially raise the overall cost of the tax cut. I vote for this amendment because I believe it is imperative that this tax bill should contain some provisions directed to business and industry and supportive of

economic growth. By voting in favor of this amendment, one of the few that will directly influence investment and economic growth, it is my intent to get it before the Conference Committee where it will be a part of the discussion of what will be the final version of this tax bill. It is my hope that in Conference, our colleagues will recognize that capital formation is a key to economic growth and prosperity. In addition, history has proven that a cut in the capital gains tax not only stimulates the economy, but also raises revenue for the federal government. In fact, one of the reasons I am voting in favor of this temporary reduction in the capital gains tax rate, is that the Joint Tax Committee score does show it raising revenue this year and through 2004 before losing revenue in out years. I am voting for this amendment because I am confident that its cost is justified when compared to its economic benefits and because it is my hope that the Conference Committee will add it to the tax bill without raising the bill's overall cost.

The PRESIDING OFFICER (Mr. COCHRAN). Who yields time? The Senator from New Hampshire.

Mr. GREGG. How much time is remaining?

The PRESIDING OFFICER. The Senator from New Hampshire has 5 minutes. The Senator from Montana has 18 minutes.

Mr. GREGG. I ask that any time used during a quorum call be charged against the time of the Senator from Montana.

The PRESIDING OFFICER. Is there objection.

Mr. BAUCUS. What is the request?

Mr. GREGG. The Senator from Montana has 18 minutes. If we are going to go into a quorum call, I ask that the time be charged to the time of the Senator from Montana.

Mr. BAUCUS. I object. That is not the way we do business around here.

The PRESIDING OFFICER. Objection is heard. If no one yields time, time will be charged equally against both sides.

Who yields time?

Mr. GREGG. Mr. President, I am going to speak, then the Senator from Montana will speak, and then we will yield on this amendment.

Mr. President, I want to make a couple points in response. The scoring on this that I am referring to is not dynamic; it is historical. The fact is that the last time we cut the capital gains tax, it was said by Joint Tax that we would lose revenue over an extended period of time. In fact, it turned out that we gained revenue over the extended period of time. In fact, we exceeded the revenues by over \$100 billion over the time period of 5 years.

Today the amendment I have offered generates positive revenue over the first 3 years, which is the period—2½ years—when the capital gains cut is in place. And then it has been projected that in the balance of the 10 years, it

will lose \$10 billion total. Mr. President, \$10 billion on a \$1.3 trillion bill is a manageable number.

The economic benefit that will be generated by cutting the capital gains tax starting June 1 will be huge. It will far exceed any \$10 billion that is lost—assuming it were ever lost—because it will mean that there will be a massive infusion of cash into the economy that is today locked down—a massive infusion of investment into the economy that is today locked down.

That investment will generate jobs, create entrepreneurship, and generate prosperity. It will benefit, disproportionately, middle-income Americans, who are today heavily invested through their pension funds and through personal activity in the stock market. It will, therefore, be a significant win for the American people and for the Federal Government because we will generate more revenues for the prosperity of our Nation.

That is why I think it is a good idea to do it and do it now, and it is certainly not an expensive exercise.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I appreciate the Senator from New Hampshire for agreeing to shorten debate on this amendment. I will again outline why I must respectfully oppose the amendment. One, this is not part of the President's package, and we have resisted including provisions in this bill that are not part of the President's agenda except in very limited circumstances. Frankly, because there are no capital gains provisions in the underlying bill, this amendment is subject to a point of order. It is not germane.

Second, the provision is temporary, and that adds complexity to a code that is complex enough.

Third, there are many ways to deal with capital gains reductions. This amendment only represents one: to lower the rates for a certain period of time. Another would be to provide for an exclusion of some portion of capital gains income from taxes completely, either as a dollar exclusion or as a percentage exclusion. This particular form, that is, the exclusion from income, will tend to help middle-income taxpayers even more than the provision offered by my friend from New Hampshire, which will tend to benefit the wealthiest taxpayers who deal in stocks.

Those Americans who pay capital gains on assets held in their mutual funds, even though the value is declining, are not going to be helped that much by this amendment. There are other ways to help them.

In conclusion, I don't believe this provision represents sound tax policy.

I urge Senators to not support this amendment so we can keep this bill intact, go to conference, and come back with a bill that is virtually identical, if not identical, to the Senate-passed bill. I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator yields back the remainder of his time.

Under the previous order, the Senator from Minnesota, Mr. WELLSTONE, is recognized to offer an amendment.

AMENDMENT NO. 692—MOTION TO COMMIT WITH INSTRUCTIONS

Mr. WELLSTONE. Mr. President, I send a motion to the desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Minnesota [Mr. WELLSTONE] proposes an amendment numbered 692.

Mr. WELLSTONE. Mr. President, I ask unanimous consent that the reading of the motion be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Mr. WELLSTONE moves to commit the bill H.R. 1836, as amended, to the Committee on Finance with instructions to report the same back to the Senate not later than that date that is 3 days after the date on which this motion is adopted with the following amendments:

(1) Establish a reserve account for purposes of providing funds for Federal education programs.

(2) Strike the reductions to the highest rate of tax under section 1 of the Internal Revenue Code of 1986 contained in section 101.

(3) Provide for the deposit in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 of an amount equal to the amount that would result from striking the reductions described in paragraph (2) (as determined by the Joint Committee on Taxation).

(4) Make available amounts in the reserve account described in paragraph (1) in each of fiscal years 2002 through 2011 for purposes of funding Federal education programs, which amounts shall be in addition to any other amounts available for funding such programs during each such fiscal year.

Mr. WELLSTONE. Mr. President, I will take a little time because I want to hear from my colleagues on the other side.

In the budget resolution on the Senate side there was an amendment that Senator HARKIN offered. I was an original cosponsor with Senator HARKIN. This was an amendment on which Senators MURRAY and KENNEDY joined. I think this amendment was adopted with 52 votes.

We called for \$250 billion over the next 10 years to go into education. There were altogether 52 Senators who voted in support.

But, when the conference committee got its hands on the Harkin amendment, this commitment to education disappeared. This motion commits the reconciliation bill to the Senate Finance Committee and directs the committee to send the bill back to the Senate with a reserve fund of \$120 billion; in other words, just half of what the Harkin amendment included.

Where does the \$120 billion for education come from over the next 10 years? The motion eliminates the cuts in the 39.6-percent tax bracket.

My colleagues might ask: What happens to the 0.7 percent of Americans who pay taxes at this rate? That is all we are talking about, 0.7 percent of taxpayers. Do they not get a tax cut under this amendment? Absolutely they do, and they get a big one. In fact, the 0.7 percent of families who pay at least some tax at this rate—a married couple, for example, would have to earn over \$297,000 a year to do so—will still get about a \$8,400 cut in their taxes under this motion. That is a big cut. More importantly, 99.3 percent of American taxpayers will not have their tax cut affected by this motion at all.

By slightly reducing the tax cut for 0.7 percent of the richest Americans, we can invest in what is 100 percent of our future, which is our children. That is what this amendment is all about.

What does this mean? It means we can do better with afterschool programs.

What does this mean? It means we can do better with more reading assistance for these children.

What does this mean? It means we will not have as great a disparity in who can afford higher education.

What does this mean? It means people who are laid off on the Iron Range will have job training and job education opportunities to find other work and do well.

While too many of us are taking photos with children and talking about education, we have a system in the low-income communities where there are 50,000 unprepared teachers hired every year. How interesting it is. We are going to be doing all of this testing, which I will get back to when we get back to the education bill, but at the same time we are going to have a Federal mandate to test every child, we will not have a Federal mandate that will call for the same opportunity for every one of these children to learn and do well.

How in the world do we think these children are going to do that if they do not have good teachers?

How do we think they are going to do it in classes that are 50 in size?

How do we think they are going to do it when the schools are so decrepit?

How do we think they are going to do it when they do not have the additional help they need?

While we are talking, about 25 percent of prekindergarten child care is considered to be good or excellent. Most of it is average to dangerous.

While we are talking, over half of Minnesota's 10- to 12-year-olds have no care after school. That means children whose parents are working hard have no place to go but home alone.

While we are talking, the Pell grant has declined in value to only 86 percent of what it was worth in 1980.

This is a clear question of values. I urge my colleagues to support this motion. It leaves unaffected the tax cuts in this bill for 99.3 percent of American taxpayers. It takes some, but not all, of the surplus funds that would go to

tax cuts for the wealthiest 0.7 percent of taxpayers, and it sets that money aside—\$120 billion over 10 years—for education.

The wealthiest 0.7 percent will still see their taxes cut by \$8,400. The bill proposes to lock in \$1.35 trillion in tax cuts over the next 10 years. If this motion is adopted, we will still have \$1.23 trillion of tax cuts, but we will also be locking in \$120 billion for education.

Here is the simple proposition: Should the Senate set aside \$120 billion of the surplus over the next 10 years for education, an amount equal to one-tenth of the tax cuts that are proposed? I propose \$10 in tax cuts but \$1 for every \$10 in new money for education.

That should be an easy tradeoff for colleagues. I hope it is easy, and I hope they vote yes.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I rise in opposition to the amendment of the Senator from Minnesota. I know he is one of the most sincere individuals in the Senate when it comes to the issue of education. We have had a chance to hear him speak on these issues many times in the last few weeks as we have been considering the Elementary and Secondary Education Act amendments.

As sincere as the Senator from Minnesota is in pursuing his goals for education, doing it on this bill is beyond the scope of the Finance Committee's jurisdiction in the way that he would set up a reserve fund to do that.

A commitment of this bill back to committee to set up a reserve fund would not be within the jurisdiction of our committee. It would direct us to set up a reserve account that would lead us to what he refers to as full funding of education programs.

It would also strike any reduction in the tax burden for those at the 39.6-percent tax rate. There is no revenue estimate for this amendment. That is another issue with which we have to deal within the realities of the budget resolution.

Our bill contains many excellent educational provisions that are within the scope and the jurisdiction of our Senate Finance Committee. These are tax provisions. They are tax provisions that consequently would improve the day-to-day lives of ordinary Americans.

The Senate has passed these education amendments—twice last year and, I think, the year before. Also, these are provisions which, even though they are in this bill, they are on the calendar as a separate bill that was voted out of our committee by a vote of 20-0. So we know these have almost unanimous support in the Senate, as the Senate Finance Committee is a microcosm of the entire Senate.

This motion to commit ought to be seen by our colleagues as a motion to delay the passage of this tax bill and the tax relief for working men and women that will result from this legislation.

In addition, while the motion to commit may be in order, what it directs the committee to do is to fund education spending programs. Therefore, it is my belief—and we may raise this point later on—it would not be germane to the bill. I appreciate Senator WELLSTONE's sincerity. However, I urge my colleagues to reject it.

On a larger note, I am going to take this opportunity to ask the Senator from Minnesota to consider a point of view that I expressed last week in regard to the wealthy of America. I do not deny what he says about the people who pay the 39.6-percent tax rates, that they are very high income people and, maybe more so than other people, can afford to pay that rate. I think too often the Senator from Minnesota as well as a lot of other Senators—maybe even some on our side of the aisle—take the view that when we apply the 39.6-percent tax rate, we are applying it to a group of people who have always been rich and will forever be rich. But that is not the true picture of America.

I want to address that thought and ask the Senator to consider that point of view as I ask him to focus upon what he is doing on the tax portions of his amendment.

We hear so much in this debate about taxing those getting a good paycheck—obviously, a very good paycheck in terms of the amendment of the Senator and those people who are going to be taxed at 39.6 percent. But speeches such as this would make you think the people being taxed must have been getting a good paycheck their entire life—born rich, stay rich, and die rich. But that is not true of most of the people who are in the highest tax brackets. I think people who make these claims provide a distorted picture of America. They present a picture of America where a family who is struggling will always struggle and consequently be at the low income tax rate level or maybe not pay any income tax at all. That is on the one hand. On the other hand, we have an America where people can buy sirloin instead of chuck round, that they have always been able to do this and will always be able to do it. In other words, the poor are always poor and the rich are always rich.

But as we all know, real life provides a more complicated picture. The reality is that the vast majority of our poorest Americans, with a bad spell here and there, spend their lives moving up the economic ladder until retirement.

Yes, there is an extremely small group of people, estimated at approximately 1 percent, for whom the enormous hardship of poverty is a lifelong constant; that is, they are poor and will remain poor throughout most of their life. For these unfortunates, obvi-

ously, our society hopefully is a loving society and provides a safety net, a safety net that is expanded by the provisions of this bill, in addition to a lot of appropriated accounts in which we try to help this group of people.

But beyond that 1 percent, or fewer, who are going to be poor throughout their entire life, for most Americans who study, work hard, and play by the rules, their tomorrow is a brighter tomorrow.

I do not come to this conclusion by myself. Every one of us can have the benefit of a detailed study by the University of Michigan that about a third of those at the bottom fifth income bracket—the bottom 20 percent economically of our society—will move up to a higher income bracket even next year; in other words, into the second or third quintile.

Over the past 16 years of study by the University of Michigan, approximately 80 percent of those who were the poorest of Americans had moved into the middle class. And incredibly—but it tells you something about the greatness of America and our economic system and our social dynamics—about 30 percent of those at the bottom were among the richest top fifth during the 16-year study period.

This notion that the people's wages are not constant, that a man probably will not be paid the same amount when he is 25 as compared to when he is 55, is not news to me nor millions of other Americans who understand that there is opportunity to move ahead and up in our society.

But from the way others talk, this must be incredible news to those in the Washington elite who have never had a callus on their hands—that somehow the poor are always poor and the rich did not work to get there, but they have.

What a shock to them it must be to learn that over 60 percent—again, 60 percent—of all families found themselves in the top 20 percent for 1 or more years over a 16-year period in an analysis provided by the Federal Reserve.

This is who is now labeled the wealthy by those fighting tooth and nail against this tax cut—over 60 percent of all American families. And I would like to tell you the real story for many of these families who have finally received the reward of a good paying job after a lifetime of hard work. It is at that time that these families are often the most financially pressed. In other words, people who have married, gotten a job, had families, over a period of 30 years have moved up and maybe became high-income people, but these are also people who might be hit by a 39.6-percent tax bracket who are also financially pressed because in modern-day America these are the families struggling to pay for their kids' college, helping their kids with the cost of daycare, trying to put away something for savings for their retirement.

Also, this generation, the first generation in American history that, besides taking care of their own kids, worrying about their own retirement, may be taking care of their mom and dad who are in a nursing home or need some financial assistance, these people are labeled the rich, the wealthy, and in some instances facing marginal tax rates of up to 50 percent of Federal and State income taxes.

My colleagues should know, too, that for most Americans a good paycheck is fleeting because, as I said, the rich in America are not always rich. Most of them were not born rich. They worked hard to get there. And they do not stay there either because fully one-half of the top 1 percent at the beginning of the decade dropped out of the top 1 percent at the end of the decade, and not only were they not in the top 1 percent, they were not even in the top quintile, the top fifth income bracket, by the end of the decade.

That said, we still all know that the American dream is alive. Sixty percent of all American families will reach the top fifth income bracket during their lifetime. Eighty percent of those on the bottom rungs will reach the middle class or higher.

These high tax rates are really hitting the hard-working middle class who finally get into the top brackets for a few years as a reward for 30 years of hard work and may be even leading a miserly life to some extent thinking about the future. I want you to know those are some of the people who are hurt so much by the high tax brackets—middle-class people who finally make it to the promised land for a few years. I would be sympathetic to people in this body who want to preserve that high tax rate if they wanted to apply it to the people who, for a lifetime, you might refer to as filthy rich. But for people who are from time to time in that high tax bracket, we ought to recognize the fact that it is punitive for people who have worked hard throughout their lifetime.

If you want to tax the other group of people who were born rich, stay rich, and die rich, then figure out some way of taxing them at a high bracket over a 5-year average or something so you do not hook these people who reach the high bracket for a few years of their life and steal the American dream from them.

I am proud this bipartisan tax bill helps reduce the tax bites of these hard-working, middle-income Americans. I encourage my colleagues to remember that when they offer amendment after amendment, it limits marginal tax cuts. It is these millions of hard-working American families who have borne the brunt of hard work, been productive, raising their family, and providing for their own future. Let's not take it away from them.

I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator has 25 minutes—24 minutes 25 seconds.

Mr. WELLSTONE. Mr. President, I wish to respond directly to my colleague from Iowa. I am going to start out the same way he did because it has been a friendship. It is not like I dislike Senators, but I always say very positive things about him because I think he is one of the best people in the Senate. I think probably the other 98 Senators feel the same way.

I am going to get back to education, but on this whole question of the elitist Washington viewpoint and people being able to work hard and, if you will, attain the American success or American dream—I know all about it. I don't want to get corny, but I think my father was 56 when my parents finally had enough money to buy a home. We thought we had died and gone to heaven. It was a little box, it was a teeny place, but for them, Jewish immigrants, it was a big deal. I understand full well what that is about.

But I will tell you something and this is an honest to God disagreement we have. You mentioned the whole issue of nursing homes. First of all, both had Parkinson's disease. My parents are no longer alive, but other people's parents and grandparents, they are not going to get a break when it comes to being able to afford prescription drugs. That is why I support the Rockefeller amendment.

I say to my colleague from Iowa, as a matter of fact, the Finance Committee is spending a lot of money on these tax cuts so that is not revenue that is there. If, in fact, you want to make sure senior citizens—then we will get to education—can afford prescription drugs, which means you cannot have too high a deductible or copay, which means you can't means-test it at \$20,000 and then say because individuals have an income of \$21,000 they don't get any break, which means you have to cover the catastrophic expenses—you cannot do it on the cheap. We are not going to have the money for it.

You talk about nursing homes. My colleague from Iowa has done some of the best work, being there for consumers, going after some of the nursing home industry that do not live up to good standards. I agree with him. But the truth is, whether it is enabling people in Iowa and Minnesota to stay home as long as possible and to live with dignity—that is what my mom or dad wanted—or go to a nursing home, from where do you think the money is going to come? Do you think that is going to be done on a \$3,000 tax credit? It costs a lot more than that. Where is the commitment of resources going to be? We are not going to have it. It is all going to be crowded out by this legislation.

I am saying to colleagues that for a couple with an income of \$300,000 a year, their tax cut—they are going to get a tax cut. But their tax cut will be

\$8,400 a year. I think the majority of Minnesotans and couples in the United States of America who make \$300,000 a year will say, if the tradeoff is we will be limited to a \$8,400 tax cut but there will be more for children and for education, including our children, we are for it.

Let's get real about this. This is all a debate about values and priorities.

Mr. President, 52 Senators voted for the Harkin amendment. I was the first original cosponsor of that amendment. That was \$250 billion, and in the budget resolution you said you were going to take it out of tax cuts. Mr. President, 52 Senators voted for that.

I am now taking half of that \$250 billion, \$120 billion, and I am saying we take it out of the top 0.7 percent of the population, who still get a tax cut but not as much.

You have voted in this ESEA authorization bill, as far as I can calculate, for \$212 billion for the period of 2002 to 2008. Are we engaged in symbolic politics or is this for real? I heard some of my colleagues come to the floor and say we have to do more than talk the talk; we have to walk the walk. If you have voted to authorize \$212 billion, from where do you think it is going to come? From where do you think it is going to come? My colleague from Iowa, and for all I know Democrats as well, are going to come out here and they are going to say that this motion violates the Budget Act and, because of the Senate's arcane rules, would require 60 votes.

That is true. But, unfortunately, I have to bring this motion to the floor right now because you members of the Senate Finance Committee, you are the ones who are spending all this money. You are spending the money through the tax cuts. It is going to be \$2 trillion over the next 10 years when all is said and done, and then in the following 10 years when the chickens come home to roost and we have more and more people who are 65 and 70 and 75 and 80, you are going to erode the revenue base by \$4 trillion.

Where is the money going to be for Medicare? Where is the money going to be for Social Security? It is fiscally irresponsible. Honest to God, this Senate Finance Committee—and I love you all individually—you are making me a fiscal conservative. I never thought I would ever say that on the floor of the Senate. I cannot believe what you are doing, in terms of the future projections. I want to announce for the people of Minnesota today: Not only am I a Senator for education and children, that is what I am trying to do here right now, but the Senate Finance Committee, the Republicans and too many Democrats, all of whom I love individually, have now made me a fiscal conservative. I cannot believe what we are doing. I cannot believe it.

So now I would say to my colleagues: This is your choice. Can I repeat it one more time? We set aside only \$120 billion of real money—not authorizations.



I don't want you to vote for authorization and go back home and say I voted for all this money for title I and I voted for all this money for everything else, when it is not real money, it is fiction. It is fiction and the Presiding Officer knows it. You set aside \$120 billion, that is one-tenth of the tax cuts. So it is an easy choice, \$1 for children and education for every \$10 in tax cuts, and you set it aside by saying to people, couples with incomes of almost \$300,000 a year: You get a tax cut of at least \$8,400. What could be more reasonable?

I want to make two other points, one about this overall tax cut that is before us and the other about education. My colleague from Iowa talks about the poor and helping the poor. I give credit where credit is due for a partial refundable tax credit, child credit. But can I ask this question, and I may have an amendment on this later on today: If the choice is between not covering any low-income children versus covering some low-income children, versus covering all low-income children, why aren't we covering all low-income children? Why is it that the poorest of poor children—the 10 million children who come from families with incomes under \$10,000 a year—their families do not get a break at all? What in the world is going on here?

My colleague comes out on the floor and says—and so will others—“You are violating the Budget Act.”

Why don't you tell that to my daughter Marcia who is a Spanish teacher who will have 50 students in her class next year?

Why don't you tell that to my son Mark who has been teaching at an inner city school, Arlington High, in St. Paul, where so many of those students never had a break and need the additional help but they are not going to have the resources?

Why don't you tell that to these children who are 7 and 8 years old and in a given year, especially in your inner city schools, they will have two or three or four teachers, and, in addition, quite often they do not have qualified teachers, and, in addition, the schools are overcrowded, and, in addition, quite often the bathrooms don't work, the plumbing doesn't work, the heating isn't adequate, the schools are too hot, and, in addition, they don't have the technology and the resources?

Why don't you tell it to these children that this—because of the Senate's arcane rules—violates the Budget Act? Tell it to the children. Do you want to know something? We can do a lot of things in this Chamber of the Senate and they are reversible later on. When you rob a child of his or her childhood, it is irreversible. We are going to fully fund the title I program for children who come from low-income families 10 years from now, maybe? These 7-year-olds will be 17. It will be too late for them. You don't want to take \$120 billion of real money for education? Instead, you want these Robin-Hood-in-reverse tax cuts?

I am embarrassed that the Democratic Party has not fought back harder. This will be the first of many amendments I will have on this tax cut, win or lose.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, might I inquire, how much time is remaining on this amendment?

The PRESIDING OFFICER. Senator WELLSTONE has 13 minutes 33 seconds, and the opponents of the amendment have 15 minutes 4 seconds.

Mr. BAUCUS. Mr. President, I do not see anyone in the Chamber who wishes to speak against this amendment.

Mr. WELLSTONE. May I ask my colleague, that must mean I have 98 votes for it?

Mr. BAUCUS. I don't know what it means, I say to my good friend from Minnesota. All I know is that at this point no one wishes to speak against the amendment. I urge my friend, if he wants to continue speaking on the amendment, to do so. I wish I could help the Senator by dredging up opposition to this amendment, but I cannot find any.

Mr. WELLSTONE. I say to my colleague from Montana, I certainly appreciate it. I certainly would like to debate Senators on this priority. I certainly would like to. I think this gets right to the point of values. I think this is a spiritual debate we are having.

I want to know when we are going to match our rhetoric about children and education with real resources. But I do not see Senators in this Chamber, so I am assuming that this will be a win for children and education.

But, for the moment, I say to my colleague, I guess what happens is we go into a quorum call and time is charged equally against both sides?

Mr. BAUCUS. That is correct.

Mr. REID. If the Senator would yield, or the Senator could yield back his time, someone else could offer an amendment.

Mr. WELLSTONE. Mr. President, I think I will speak a little longer about my amendment.

Mr. BAUCUS. Fine.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I thank the Chair.

Let me summarize, in a very quiet way, for a moment, what this is about. Then let me just challenge Senators. All I am saying is, it is kind of like walking our talk. There should be 52 votes for this motion. Fifty-two Senators voted for a Harkin amendment to take \$250 billion out of tax cuts. I take half of that for education. I take it by eliminating the cuts in the 39.6-percent tax bracket. That is .07 per percent of Americans; that is a couple with an income of \$300,000 a year, and they still get an \$8,400 tax cut.

But I am saying, by not making that additional cut, you then would have

\$120 billion you would put aside for education. That is \$1 for education and children for every \$10 in tax cuts. I am saying to Senators, if you voted for the Harkin amendment, this is half that amount. I hope you will support this motion.

I am saying to you, Senators, that unfortunately it is 10:55 and I cannot get anybody to debate me. But the truth of the matter is, this is historic. What we are doing in the Senate is breathtaking.

The Presiding Officer, he can disagree with me. He is another one of these Senators—I feel as if I am passing out compliments—who is civil and decent and good. And people can have different viewpoints.

For my own part, I think that we are doing two things.

We are, A, passing a tax cut that is still “Robin Hood in reverse,” with still over 30 percent of the benefits going to the top 1 percent of the population. I remind my colleagues one more time, I give you credit for improving this bill in the Finance Committee over what the President had, but when over 30 percent of the benefits are going to the top 1 percent, and still 10 million of the poorest children in America and their families are not benefiting from a child credit, I wonder about our priorities.

And B, and even more importantly—and I am sorry; in fact, I am embarrassed—the Democrats do not seem to grasp this. This will so erode our revenue base. We are talking really more about \$2 trillion over the next 10 years and that there will not be the resources to invest in education and children, or the resources to invest in affordable prescription drugs, or the resources to expand health care coverage. And the list goes on and on.

If you believe that when it comes to these pressing issues of people's lives there is nothing the Government can or should do, then this is one big, good, ideological victory for you. But if you believe: I came to Washington believing we could do things that would lead to the positive improvement of people's lives, and you believe there is a positive role for Government, then what we are about to do is shut it down.

I cannot even begin to express my indignation about what we are doing with education. We are all for the children, and we are all for education, and we all love them, but we are not digging into our pockets and making the investment.

We are going to get back to a bill really soon where the Federal Government—I am amazed conservatives are considering this—is going to tell every school district, every school, every State: You are going to test children every year, age 8, 9, 10, 11, 12, and 13, and at the same time we are not interested in also having a Federal mandate backed by resources to guarantee that every one of those children will have the same opportunity to succeed. We fund the title I program at the 30-percent level. We have children—most

children, many children—coming to kindergarten way behind, and yet we are not making the investment in the resources.

There never was a deal before we went to this education bill that there would be the money. There still isn't any understanding. And now, Democrats, wake up and smell the coffee. We are not going to have the resources.

This is a massive reversal in social policy. I am heartbroken by what we are doing, but I certainly think that at the very minimum Senators would be willing to vote for this motion. It is simple.

We should not separate our lives as legislators from the words we speak. We have spoken great words about education and children. I have heard so many speeches, I have heard enough speeches to deafen all the gods. I want to know whether we are willing to invest the real money.

My colleagues are going to say this is a violation of the Budget Act. Tell that to the good teachers who are trying to teach the children; tell that to the children. Tell that to kids whose childhood is precious and wonderful, and, in all too many ways, we are robbing them of that childhood.

How much time do I have remaining?

The PRESIDING OFFICER (Mr. JEFFORDS). Six minutes.

Mr. WELLSTONE. Is it too much to ask Senators, is it too much to ask for the sake of better teachers, more teachers—by the way, there are a lot of great teachers—for the sake of having more qualified teachers, for the sake of making sure these kids get more help with reading, making sure there is more title I money for kids who come from low-income backgrounds, making sure we have the additional help for the children, especially the little children, is it too much to ask the wealthiest 0.7 percent to still get tax breaks, at least the \$8,400 a year, but we would not eliminate cuts in the 39.6-percent tax bracket and instead make the investment in children and education?

I grant you, the children I am talking about probably do not have the same lobbying coalitions as those who want to cut the highest tax rate. I grant you the children I am talking about and their families probably do not have the same access, probably they are not the big givers, probably they are not the investors. But one would think out of some sense of values we could at least provide the support.

This whole issue of class warfare is a bogus argument. I maintain that the vast majority of people in Minnesota who have incomes around \$300,000 a year would be pleased to have some tax cut, at least \$8,000 or thereabouts, but then would say, fine, we don't need any more, and if you are going to put that money into children and education, God bless you, do it. We are proud of you, Senate.

I hope you will vote for the amendment.

How much time do I have remaining? The PRESIDING OFFICER. The Senator has 4 minutes.

Mr. BAUCUS. Mr. President, how much time is there in opposition to the amendment?

The PRESIDING OFFICER. Fourteen minutes.

Mr. BAUCUS. Mr. President, I will take 4 minutes.

It is with deep regret that I must tell my good friend from Minnesota, in good faith and conscience, I cannot support his amendment, certainly not at this time.

I agree with him that this tax bill is too big. In fact, I argued to the President that he ought to propose a much smaller bill for the first 5 years and then, if the budget surpluses materialize, we can look at another tax cut. That way, if the surpluses don't materialize, this country is protected. We certainly don't know with a great degree of certainty what the budget surplus is going to be 10 years out.

The President did not agree with my suggestion, but it is a position that makes a lot more sense and is better public policy, if we were to pursue that direction. Unfortunately, we are not in that position today, as the Senator well knows.

The main argument the Senator makes—one that has a lot of merit to it—is an argument that he and others made on the budget resolution. But that argument was not successful, and the budget resolution has passed with \$1.35 trillion in tax cuts locked in. That is where we are today.

I agree with him that this is still too large a tax cut, though at least it is smaller than the President's earlier proposal of \$1.6 trillion, so that is some progress.

There are other provisions in the budget resolution that do protect social needs. One is the \$300 billion over 10 years for prescription drugs, an amount that was locked in during the budget debate. Agriculture is provided \$74 billion over 10 years, though that is not likely to be enough. There is always the likelihood of disasters and other emergencies that will require us to re-evaluate that amount. As for the contingency fund of \$500 billion that is in this bill, we all know that there are more claims to that \$500 billion than there are dollars. That is a problem. Nevertheless, the contingency fund is also locked in by the budget resolution.

It is important to remind ourselves that this tax bill will sunset after 10 years; that is, under the rules we provided for ourselves, unless this tax bill passes by 60 votes or more, then these revenue bills are terminated after 10 years. This means that, while it is legitimate to be concerned about the second 10 years, we necessarily review all of these provisions before that time because of the termination.

It may not be the best tax policy to have tax laws that terminate in 10 years, but nevertheless those are the rules we have provided for ourselves to

ensure that there is strong bi-partisan support for these measures.

It is also important to recall that future Congresses are also going to make changes. Congress will meet again tomorrow. Congress will also meet next week, next month, and next year, and according to the conditions of the time, I am quite confident that Members of future Congresses will make changes to what we consider here today. There will be different Presidents during the 10 years of this bill, and they will have different priorities and a different agenda.

Although it is not a lot of fun to raise taxes, Congress has raised taxes when Congress felt it was necessary, even under Republican Presidents—many times in the 1980s.

This is a very dynamic country. The United States of America is probably the most dynamic country in the history of civilization. We are a big country, and we have a history of adjusting to difficulties. We are going to find ways to help education more than we have in the past, just as the Senator from Minnesota very correctly points out.

It is important to remember that in our country, 93 percent of the dollars for elementary and secondary education are raised at the State and local level. Only 7 percent of elementary and secondary education dollars are Federal dollars. That is starting to change because the States are so strapped. We in Congress should accelerate that change, and this bill does so. There are deductions for college tuition, for example, and other education provisions in the bill that total some \$30 billion. That is a start, and it includes a big, new initiative in the college tuition deduction, which is sure to be expanded in future years.

To conclude, I must tell my good friend from Minnesota with a great deal of regret, it is not even in the jurisdiction of the Finance Committee to set up this fund. He is fighting the right battle for the right cause, but not in the right place. We will be more successful in future days and weeks and months to get more money for education, I am quite confident, and I will help him do so. Regrettably, we can't do it right here.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Mr. President, I rise to make a unanimous consent request.

Mr. President, I ask unanimous consent that a vote relative to the motion to waive with respect to the Gregg amendment occur at 6:08 today, with 5 minutes under the control of Senator GREGG and 3 minutes under the control of Senator BAUCUS for final debate prior to the vote, and that there be no second-degree amendment in order prior to the vote, and further, following that vote, the Senate proceed to a vote in relationship to the Carnahan amendment as under the order.

Mr. REID. Mr. President, reserving the right to object, I say to my friend,

the manager of the bill, the reason we are going to agree to this is the fact that Senator GREGG has been over here for several days. I think he deserves this extra time.

With the many, many votes we have later today, there will be no other agreements such as this. The reason there has been a rearrangement of the order of voting is that this will allow Members to hear this debate prior to the first vote, and then after that the votes will sequence. Senator GREGG's vote was supposed to be second. We would have one vote and have this in between.

I hope the majority leader enforces the 10-minute rule this evening. We have so many votes. I hope he will do that. If people have to step out of the Chamber for other business, I hope it will be at the peril of their missing these votes. In the past several months, we have held up votes for so long that it has made it inconvenient for everyone.

Having said that, I withdraw my objection.

Mr. GRASSLEY. Mr. President, I appreciate what the Senator from Nevada has said. I hope, too, that we will be able to expedite each of these many rollcalls that we will have this evening.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Who yields time?

Mr. WELLSTONE. How much time do I have?

The PRESIDING OFFICER. The Senator has 4 minutes.

Mr. WELLSTONE. Mr. President, I was listening to the Senator from Montana. I have to say to him, with all due respect, he was talking about how we locked this in for agriculture, and this for prescription drugs—although I will tell you something, it is fiction, what has been locked in for prescription drugs to make it affordable.

If we can lock it in for other areas, why can't we lock it in for children and education? The only thing I have gotten from the Senator from Montana is this vague commitment—oh, well, you know, sometime, someplace, later on we will get this done.

We have an opportunity right now to lock this in for children and education. We can lock it in right now—\$120 billion over 10 years, half of what we voted for in the budget resolution, coming out of the tax cut, coming out of the very highest 39.6 percent—although the very highest income people, couples with \$297,000, still will get a break of \$8,400. In exchange for not cutting it any further, we will have \$120 billion for children and education.

I mean, vague commitments about the future—why don't we lock it in now? This is real money. That is what this is all about. There is a zero-sum game between how much you do by way of tax cuts and how much you erode the revenue base and what we will be able to do for children and education.

I say especially to my Democratic colleagues, if we can't step up to the plate and vote for children and education, we don't have a politics. We don't have a politics. No wonder people wonder what in the world is going on. You have these Robin-Hood-in-reverse tax cuts still mainly going to the top 1 percent. You erode the revenue base and you are unwilling to lock in a commitment right now to children and education, albeit a very modest commitment.

Senators, in the words of Rabbi Hillel: If you can't make the commitment to children and education now, whenever will you? If you don't speak for children in education now, whenever will you? If we are not for children and education, who in the world are we for? Who do we think we represent? It is time to step up to the plate now. This is real money. Let's not play symbolic politics any longer.

How much time do I have left?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. WELLSTONE. I am pleased to respond.

Mr. BAUCUS. Mr. President, very briefly, I voted to lock in more money for education when we were on the budget resolution, by voting for the Harkin amendment. I wish that amendment would have passed, but unfortunately it didn't. As the Senator well knows, the place to lock in big amounts for programs such as education is during the budget debate. The budget resolution was the place we were successful in locking in \$300 billion for prescription drugs.

But this is not the budget we are debating here. This is the tax bill. And unfortunately, the amount of the tax cut was locked in during the budget debate, and that is what we must be comply with now.

Mr. President, I yield back the remainder of my time.

Mr. WELLSTONE. Mr. President, I say to my colleague from Montana, 60 Senators can make this the proper time and place. That is what this debate is all about. Sixty Senators can make this the proper time and place to make a modest commitment to children and education. We can do it right now, or tonight when we vote on this motion.

With all due respect, I will tell you, people in the trenches working with children in schools around the country look at these arcane rules and say, hey, if 60 of you can step to the plate and be there for children and education, please do so. We are waiting for you to act on what you say you believe in.

So I hope we get 60 votes, and then it will be the time and place. I yield the remainder of my time.

The PRESIDING OFFICER. Under the previous order, the Senator from Utah, Mr. HATCH, is recognized to offer an amendment.

AMENDMENT NO. 697

Mr. HATCH. Mr. President, on behalf of myself, Senators ALLEN, CRAIG, GOR-

DON SMITH, and HARRY REID, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH], for himself, Mr. ALLEN, Mr. CRAIG, Mr. SMITH of Oregon, and Mr. REID, proposes an amendment numbered 697.

Mr. HATCH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to permanently extend the research credit and to increase the rates of the alternative incremental credit)

At the end of subtitle A of title VIII insert the following:

**SEC. . RESEARCH CREDIT.**

(a) PERMANENT EXTENSION OF RESEARCH CREDIT.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking “2.65 percent” and inserting “3 percent”,

(B) by striking “3.2 percent” and inserting “4 percent”, and

(C) by striking “3.75 percent” and inserting “5 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

Mr. HATCH. Mr. President, the amendment I offer is simple and straightforward. It would extend permanently the credit for increasing research activities, commonly known as the research credit, or the R&D credit. This provision has been an important contributor to our robust economic growth in the past decade. I have to admit I am working with the managers of the bill on trying to find an acceptable offset for this particular amendment. Even if we don't find an offset, this amendment is very important, and should be adopted.

Let me explain why this amendment is necessary. In July 1999, the Senate voted to make the research credit permanent. Unfortunately, the House version of the 1999 tax bill included only a 5-year extension of the credit. The 5-year extension prevailed in conference. As we all know, that bill was vetoed by President Clinton.

However, in November of 1999, Congress passed and President Clinton signed the Ticket to Work and Work Incentives Improvement Act, which included the 5-year extension of the research credit. Therefore, the credit was extended to June 30, 2004.

Last summer, the Senate again had the opportunity to vote on a permanent extension of the research credit. While we were debating last year's version of the death tax repeal bill, Senator BAUCUS and I offered an amendment to again make the research credit permanent. The Senate passed the amendment with a vote of 98-1. Once again, President Clinton vetoed the underlying tax bill.

Thus, as it stands under present law, the research credit is scheduled to expire on June 30, 2004. This is most unfortunate, Mr. President, because in 2004, the Congress and, more importantly, America's business community, will once again have to go through the rigmarole of on-again, off-again uncertainty of an important tax provision that means so much to our country.

The ultimate loser in this game is not the Congress, nor even the companies that engage in research, but each American. This is because every one of us is the direct beneficiary of the research investments made by the businesses of America. Each one of us benefits from the higher economic growth, the increased productivity, and from the higher degree of global competitiveness that increased research brings.

The research credit has been in the Internal Revenue Code for 20 years, in one form or another. It has expired and been extended ten times. Ten times, Mr. President. Those extensions have been as short as 6 months and as long as 5 years. There have even been periods when the credit was allowed to expire, and then retroactively reestablished. On one occasion, the credit expired and was re-enacted prospectively, leaving a gap period when the credit was not available. The one thing the credit has never been is permanent.

This is significant because, as effective as the credit has been in providing a strong incentive to companies to increase their research activities, it has been inherently limited in its effectiveness because business leaders have never been able to count on the credit being there on a long-term basis.

Anyone who has been in business for more than 10 minutes knows that planning and budgeting—unlike what we do in Congress—is a multiyear process. And, anyone who has been involved in research knows that the scientific enterprise does not fit neatly into calendar or fiscal years.

Our history of dealing with the research credit—that is, allowing it to run to the brink of expiration and reviving it at the 11th hour, the 12th hour, or even bringing it back from the dead with retroactive extensions—results in not only very poor tax policy, but is also detrimental to our research-intensive business entities and indeed the whole country.

It is time to get serious about our commitment to a tax credit that is widely viewed by economists and business leaders as a very effective provision in creating economic growth and keeping this country on the leading

edge of high technology in the world. A 1998 study by Coopers and Lybrand dramatically illustrated the significant economic benefits that have been provided by the research credit. According to the study, making the credit permanent would stimulate substantial amounts of additional research and development in the U.S., increase national productivity and economic growth almost immediately, and provide U.S. workers with higher wages. That is hard to beat. In fact, it cannot be beat.

The vast majority of the members of this body are on record in support of a permanent research credit. As I mentioned, last summer, 98 Senators voted in favor of permanence. Moreover, making the research credit permanent was practically the only business provision that President Bush included in his tax proposal. And, just in case some have forgotten, former Vice President Al Gore also included a permanent research credit in the tax plan on which he campaigned last year. The point here is that making the credit permanent is probably the most bipartisan tax cut provision that has been before the Congress in recent years.

While practically everyone says they support a permanent research credit, it has become too easy for Congress to fall into its two-decade-long practice of merely extending the credit for a year or two, or even 5 years, and then not worrying about it until it is time to extend it again.

These short-term extensions have occurred ten times since 1981. Ten short-term extensions for a tax credit that most Members of this body strongly support. I am not sure we realize how the lack of permanence of the credit damages its effectiveness. I am telling you it does, and so do the experts.

Research and development projects cannot be turned on and off like a light switch. They typically take a number of years and may even last longer than a decade. As our business leaders plan these projects, they need to look years ahead in making the projections and estimating the potential return on their investment. Because the research credit is not permanent, and its extension is not assured, the availability of the credit over the life of these projects is uncertain and is thus often not included in the numbers. As a result, the projected return on the investment is lower and some promising research projects are simply not funded.

With a permanent credit, these business planners would take the benefits of the credit into account, knowing they would be there for all years in which the research is to be performed. The result would be a lower projected cost, leading to more research projects being funded, which in turn would lead to more benefits to the economy, to our productivity, and to each consumer. In fact, making the credit permanent would start these benefits now and actually give an immediate boost to the amount of research performed,

even before the current credit expires in 2004.

There is little doubt that a significant amount of the incentive effect of the research credit has been lost over the past 20 years because of the constant uncertainty about its continuing availability. This uncertainty has undermined the very purpose of the credit. For the Government and the American people to maximize the return on their investment in U.S.-based research and development, this credit must be made permanent. And now is the time to do so.

Each time that Congress has extended the research credit for only a short period, rather than permanently, the ostensible reason has been a lack of revenue. We tell our constituents that we simply did not have the money to extend the credit permanently.

Is this the excuse we are going to give the next time we meet with the high-tech workers and entrepreneurs in our States? Are we going to tell them that out of a tax cut bill totaling \$1.35 trillion, we could not find the revenue to pay for the permanent extension of this credit?

I admit that the revenue cost of extending the research credit permanently is not inconsequential. The estimate I have from the Joint Committee on Taxation says that its extension would cost around \$47 billion over 10 years. But this is only 3.5 percent of the total cost of the bill. It seems to me that 3.5 percent is a small price to pay for a provision that will help ensure continued productivity increases, economic growth, and job creation.

Ironically, it costs at least as much in terms of lost revenue to enact short-term extensions as it does to extend it permanently. So saying we cannot afford to make the research credit permanent is a notion of false economy forced on us by the budget rules. I believe there is simply no valid reason that the credit should not be extended on a permanent basis. The provision was in the President's proposal, and it should be in the bill before us today, and was in Al Gore's plan as well.

I believe a permanent research credit is one of the most important elements of President Bush's tax plan because it is so tied in with the issues of economic growth and our future prosperity.

According to Chairman Greenspan, the Nation's high productivity growth, which has played an instrumental role in our economic growth of the past few years and also in creating our projected budget surplus, would likely not have been possible without the innovations of recent decades, especially those in information technologies. The research credit is a key factor in keeping these innovations coming into our lives. But a temporary credit is inherently limited in its ability to do this.

As I mentioned earlier, I am afraid too many of us are stuck in a mindset that says that since the research credit can just be taken care of later this

year in a tax extenders package, or when it gets closer to its 2004 expiration date, why bother about it now?

I want to emphasize that another temporary extension is not the issue here. We can and probably will always extend the credit when the time for its expiration comes. It will likely be on the less effective basis we have always done it, perhaps only for a few months, or it may be on a retroactive basis, and there may be a gap created, but we will probably keep extending it. The issue is whether or not we should magnify the power of this credit by making it permanent. It is just common sense to do so.

The conditions for a permanent extension now are better than they have ever been, and are likely to be again, and we should not let this bill go by without doing this.

This amendment is about long-term growth, it is about fostering innovation and keeping the innovation pipeline filled, and this is about sustaining the productivity gains that have brought us where we are today and that can help us stay prosperous in the future as we deal with the entitlement challenges ahead.

In conclusion, if we decide not to make the research credit permanent, are we not limiting the potential growth of our economy? How can we expect the American economy to hold the lead in the global economic race if we allow other countries, some of which provide huge government direct subsidies, to offer stronger incentives than we do?

Making the credit permanent will keep American business ahead of the pack. It will speed economic growth. Innovations resulting from American research and development will continue to improve the standard of living for every person in the U.S. and also worldwide.

This provision should be in this bill. It deserves to be on the table in conference with the House. We should not overlook the importance of making the credit permanent now.

I urge my colleagues to support this amendment.

AMENDMENT NO. 701 TO AMENDMENT NO. 697

Mr. HATCH. Mr. President, on behalf of Senator KERRY and myself, I send a perfecting amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH], for Mr. KERRY, for himself and Mr. HATCH, proposes an amendment numbered 701 to amendment No. 697.

Mr. HATCH. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To allow a credit against income tax for research related to developing vaccines against widespread diseases)

At the end of the matter proposed to be inserted, add the following:

**SEC. \_\_\_\_ CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

**“SEC. 45G. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.**

“(a) GENERAL RULE.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

“(b) QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of this section—

“(1) QUALIFIED VACCINE RESEARCH EXPENSES.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualified vaccine research expenses’ means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

“(B) MODIFICATIONS; INCREASED INCENTIVE FOR CONTRACT RESEARCH PAYMENTS.—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

“(i) by substituting ‘vaccine research’ for ‘qualified research’ each place it appears in paragraphs (2) and (3) of such subsection, and

“(ii) by substituting ‘100 percent’ for ‘65 percent’ in paragraph (3)(A) of such subsection.

“(C) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term ‘qualified vaccine research expenses’ shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(2) VACCINE RESEARCH.—The term ‘vaccine research’ means research to develop vaccines and microbicides for—

“(A) malaria,

“(B) tuberculosis,

“(C) HIV, or

“(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

“(c) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—

“(1) IN GENERAL.—Except as provided in paragraph (2), any qualified vaccine research expenses for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 for such taxable year.

“(2) EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

“(d) SPECIAL RULES.—

“(1) LIMITATIONS ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

“(2) PRE-CLINICAL RESEARCH.—No credit shall be allowed under this section for pre-clinical research unless such research is pursuant to a research plan an abstract of which has been filed with the Secretary before the beginning of such year. The Secretary, in consultation with the Secretary of Health and Human Services, shall prescribe regula-

tions specifying the requirements for such plans and procedures for filing under this paragraph.

“(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

“(4) ELECTION.—This section (other than subsection (e)) shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

“(e) CREDIT TO BE REFUNDABLE FOR CERTAIN TAXPAYERS.—

“(1) IN GENERAL.—In the case of an electing qualified taxpayer—

“(A) the credit under this section shall be determined without regard to section 38(c), and

“(B) the credit so determined shall be allowed as a credit under subpart C.

“(2) ELECTING QUALIFIED TAXPAYER.—For purposes of this subsection, the term ‘electing qualified taxpayer’ means, with respect to any taxable year, any domestic C corporation if—

“(A) the aggregate gross assets of such corporation at any time during such taxable year are \$500,000,000 or less,

“(B) the net income tax (as defined in section 38(c)) of such corporation is zero for such taxable year and the 2 preceding taxable years,

“(C) as of the close of the taxable year, the corporation is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)),

“(D) the corporation provides such assurances as the Secretary requires that, not later than 2 taxable years after the taxable year in which the taxpayer receives any refund of a credit under this subsection, the taxpayer will make an amount of qualified vaccine research expenses equal to the amount of such refund, and

“(E) the corporation elects the application of this subsection for such taxable year.

“(3) AGGREGATE GROSS ASSETS.—Aggregate gross assets shall be determined in the same manner as such assets are determined under section 1202(d).

“(4) CONTROLLED GROUPS.—A corporation shall be treated as meeting the requirement of paragraph (2)(B) only if each person who is treated with such corporation as a single employer under subsections (a) and (b) of section 52 also meets such requirement.

“(5) SPECIAL RULES.—

“(A) RECAPTURE OF CREDIT.—The Secretary shall promulgate such regulations as necessary and appropriate to provide for the recapture of any credit allowed under this subsection in cases where the taxpayer fails to make the expenditures described in paragraph (2)(D).

“(B) EXCLUSION OF CERTAIN QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of determining the credit under this section for a taxable year, the qualified vaccine research expenses taken into account for such taxable year shall not include an amount paid or incurred during such taxable year equal to the amount described in paragraph (2)(D) (and not already taken into account under this subparagraph for a previous taxable year).”.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b), as amended by section 620, is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the vaccine research credit determined under section 45G.”.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, is amended by adding at the end the following new paragraph:

“(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.”.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

“(d) CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.—

“(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45G(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45G(a).

“(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.”.

(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) (defining qualified business credits) is amended by striking “and” at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting “, and”, and by adding at the end the following new paragraph:

“(10) the vaccine research credit determined under section 45G(a) (other than such credit determined under the rules of section 280C(d)(2)).”.

(e) TECHNICAL AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting “or from section 45G(e) of such Code,” after “1978.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

“Sec. 45G. Credit for medical research related to developing vaccines against widespread diseases.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

Mr. HATCH. Mr. President, I will just take a few minutes to speak to Senator KERRY's amendment.

This amendment provides a 30 percent tax credit on qualified research expenses to develop microbicides for HIV and vaccines for malaria, TB, HIV, and other diseases that kill 1 million people or more annually. This is an expansion of the existing 20 percent research and development tax credit.

It mandates that a company file a research plan with the Secretary of the Treasury on these priority vaccines or microbicides before claiming the tax credit.

It allows the tax credit to be applied to the costs of clinical trials outside of the United States, because of the prevalence of malaria, TB, and HIV in developing countries. However, pre-clinical research must be conducted in the United States in order to claim the tax credit.

This amendment also provides a refundable tax credit to small biotech companies based on the amount of qualified research that a company does in a given year. This credit is designed to stimulate increased research among

firms that often do the most innovative research.

It mandates that any firm receiving this credit put an equivalent amount of funds into research and development within 2 years of having received the credit. Such expenditures cannot be claimed under the tax credit for qualified vaccine research and development. It requires the Secretary of the Treasury to promulgate regulations to recapture the credit if a company fails to make these expenditures.

The amendment allows 100 percent of the expenditures on contracts and other arrangements for research and development on these priority vaccines and microbicides to be counted toward the baseline for the R&D tax credit. Currently only 65 percent can be counted. This increase is designed as an incentive for larger firms to contract with smaller vaccine research companies.

So, Mr. President, I have filed this on behalf of Senator KERRY and myself. I hope the Senate will give great consideration to this.

I yield the floor and reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself 1 minute. I appreciate the commitment of the Senator from Utah to extending the research and experimentation credit. There is no question the issue of research and experimentation has no greater supporter than the Senator from Utah and all the people involved with it ought to appreciate his interest in it.

I know the R&D credit has strong bipartisan support and that it was included in the President's request.

I ask the Senator give us the time to work with him on the amendment today and see what we can do to make sure it becomes something we can work with and deal with in conference.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I join the chairman of the committee in telling the Senator from Utah he has a good amendment. The R&D tax credit should be a permanent part of our law for a couple of basic reasons. One, we know jobs in the future depend upon research today. The more research today, the more technology will be enhanced, productivity enhanced, and more jobs in the market. That is pretty clear.

Second, we want research in the United States more than other countries. It is fine to conduct research overseas if American companies conduct research overseas but we also want them to conduct research here. Other countries give far more lucrative benefits in credits and other incentives to companies in their countries for research and development than do we in America. We all know it is a fiercely competitive world; our economy is so globalized. If we are going to, A, stay

ahead and, B, make sure those jobs are here in the United States, it makes good sense to have a credit for Research and Development as a permanent part of our law.

I am a cosponsor with the Senator from Utah of his bill to make R&D tax credit permanent. I will work with the Senator to try to find a way to work this out so we can make it permanent.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. I thank my colleagues for their graciousness and willingness to work with me to see how we can make this part of the overall tax bill, and I sure hope our colleagues on both sides will support whatever offset they come up with, and that they can support this amendment.

We are making a diligent effort to try to resolve the offset problems. I am willing to yield my time, but I notice the Senator from Nevada has risen. I will be happy to yield to the Senator from Nevada.

Mr. REID. Mr. President, I am a cosponsor of this amendment. It is very good legislation. We have had continual battles in the Senate over what we should do with renewables. We can do nothing with renewables until we get a permanent tax credit.

An example is, we have a wind farm we are putting in at the Nevada Test Site. We are trying to develop new uses for that test site which has been in effect for some 50 years, after setting off nuclear devices there.

The people there know it will produce huge amounts of electricity, but they cannot borrow the money because no one will loan them the money because the tax credit is for a limited period of time.

The amendment of the Senator from Utah, of which I am a proud cosponsor, is the way we have to go. If we are going to change our heavy dependence on fossil fuels, we have to have a tax credit that is permanent on renewables. This does that, among other things. I totally support the amendment of the Senator from Utah.

Mr. HATCH. I thank my colleague and I am prepared to yield the remainder of my time if the floor managers are prepared to yield the remainder of their time?

The PRESIDING OFFICER. All time is yielded back.

Under the order, the pending amendments are laid aside and the Senator from West Virginia is recognized to offer an amendment.

AMENDMENT NO. 703

Mr. BYRD. Mr. President, I thank the Chair.

Mr. President, I am going to offer an amendment. But, before I do, I feel compelled to express my appreciation to the two managers of this bill for the work they have given to the task, for the time they have given to the task. I know it is not easy. I know they have had pressures from colleagues on both sides. I know each has had his own pressures from his own colleagues on his own side. I do not envy you.

I am going to offer an amendment which the managers may not accept. But that will not lessen my appreciation and respect for them. We can't all agree on everything.

When I was majority leader I, from time to time, had colleagues on my own side who did not support me. But those who did not support me today might be those who would support me tomorrow.

So like the waves of the sea, the tide comes in, the tide goes out; it comes back again. I just want to express my appreciation, first of all, to the two managers of the bill.

Mr. President, I am going to send an amendment to the desk, as I said. But, before I send it to the desk, let me say to Senators what the amendment would do. The purpose of the amendment is as follows: I shall read it, then I will send the amendment to the desk.

Purpose: To strike all marginal rate tax cuts except for the establishment of the 10 percent rate and strike all estate and gift tax provisions taking effect after 2006 in order to provide funds to strengthen social security—

Here is your chance, my friends, to strengthen Social Security—

extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system—

A great Roman said: Friends, Romans, countrymen, lend me your ears.

My colleagues, listen. This amendment would:

maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds, and provide prescription drug benefits.

“provide prescription drug benefits.”

Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from West Virginia [Mr. BYRD] proposes an amendment numbered 703.

Mr. BYRD. Now, Mr. President, I ask unanimous consent that further reading of the amendment be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To strike all marginal rate tax cuts except for the establishment of the 10 percent rate and strike all estate and gift tax provisions taking effect after 2006 in order to provide funds to strengthen social security, extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds, and provide prescription drug benefits)

At the appropriate place, insert the following:

**SEC. \_\_\_\_ . ENSURING FUNDING FOR SOCIAL SECURITY AND MEDICARE SOLVENCY, PRESCRIPTION DRUGS, AND LONG-TERM DEBT REDUCTION.**

(a) IN GENERAL.—Notwithstanding any other provision of this Act—

(1) except for section 1(i)(1) of the Internal Revenue Code of 1986, as added by section 101

of this Act, and any necessary conforming amendments, title I of this Act shall not take effect; and

(2) any provision of title V of this Act that takes effect after 2006 shall not take effect.

(b) STRATEGIC RESERVE FUND FOR LONG-TERM DEBT AND NEEDS.—Subtitle B of title II of H. Con. Res. 83 (107th Congress) is amended by inserting at the end the following:

**“SEC. 219. STRATEGIC RESERVE FUND FOR SOCIAL SECURITY REFORM, MEDICARE REFORM, AND PRESCRIPTION DRUG BENEFITS.**

If legislation is reported by the Committee on Finance of the Senate or the Committee on Energy and Commerce or the Committee on Ways and Means of the House of Representatives, or an amendment thereto is offered or a conference report thereon is submitted, that would strengthen social security, extend the solvency of the Social Security Trust Funds, maintain progressivity in the social security benefit system, continue to lift more seniors out of poverty, extend the solvency of the Medicare Trust Funds or provide prescription drug benefits, the chairman of the appropriate Committee on the Budget shall, upon the approval of the appropriate Committee on the Budget, revise the aggregates, functional totals, allocations, and other appropriate levels and limits in this resolution for that measure by not to exceed \$450,000,000,000 for the total of fiscal years 2002 through 2011, as long as that measure will not, when taken together with all other previously enacted legislation, reduce the on-budget surplus below the level of the Medicare Hospital Insurance Trust Fund surplus in any fiscal year provided in this resolution.”

Mr. BYRD. Mr. President, last week as the Senate began debate on the fiscal year 2002 budget reconciliation tax cut bill, the President was in Minnesota unveiling his energy strategy.

Over the weekend the American people read about the content of the President's plan. Essentially, the administration is promoting a national energy strategy heavy on increased production to respond to a number of current and near-term energy shortages that have manifested themselves through rolling blackouts in California and rising gasoline prices across the country.

No one is pretending that the planned construction of new power plants or distribution lines will provide immediate relief to consumers. Instead, the President argues that the only short-term relief for energy-starved, price-gouged consumers is a tax break.

Somehow I think that is not quite sufficient comfort to victims of rolling blackouts—those men and women who have been stuck in elevators, or involved in automobile accidents when the power suddenly cut off. It won't shed light for those families who have had to walk around in the dark, feeling their way along the walls, and tripping over things that they can't see right in front of them.

What amuses me, Mr. President, is that this administration, in using blackouts to promote both its energy and tax cut plans, has seemingly forgotten about the fiscal blackouts of the 1980s. I remember them, when the Congress found itself wandering around in the dark and the economy had tripped over the 1981 Reagan tax cut plan.

In 1981, the Reagan administration promised that massive tax cuts would reinvigorate the economy. Instead, the American economy nearly collapsed. In 1982 and 1983, the annual unemployment rate increased to 9.7 percent and 9.6 percent, respectively—the highest rates recorded since 1950. In 1985, while America's wealthy were reaping the largest share of the national income since World War II, businesses and banks were failing at a record breaking pace. Our savings rate was the lowest in 4 decades, and our national trade deficit had reached a record high.

The Congress had no choice but to pass, and Presidents Reagan, Bush, and Clinton had no choice but to sign, eight in all—numerous bills three of them were not as significant as the five that I will mention. The five that I shall mention are TEFRA, DeFRA—sounds like twins but, wait, they are quintuplets—TEFRA, DeFRA, OBRA of 1987, OBRA of 1990, and OBRA of 1993—to correct our mistake. Why were these all passed? Why were these tax bills passed? To correct our mistakes and the mistakes of the then administration, and increase taxes in hopes of stemming the unprecedented tide of red ink.

The protracted deficits during the 12 years of Presidents Reagan and Bush resulted in higher interest rates for the American taxpayer. This forced the average American to pay more for his mortgage, to pay more for his car, to pay more for his child's education, because of our rush—our mad rush—to enact a huge tax cut—the benefits of which went—in that instance, as will be the case in this instance—the benefits of which went mainly to the wealthiest taxpayers.

Mr. President, this administration, the Bush administration, the Bush No. 2 administration, has tried to juxtapose tax cuts and the threat of a recession in the minds of the American people, even though the most recent economic data suggests that a recession only exists in the rhetoric—in the rhetoric—of the administration.

There is where the recession exists, in the rhetoric of the current administration. And now, of course, the administration has offered tax cuts as a solution to this Nation's energy crisis; the idea being, I suppose, that Californians would be able to purchase more candles and flashlights to deal with the rolling blackouts.

E.J. Dionne pointed out in a recent Washington Post editorial that—and I quote—“there's absolutely nothing the president won't say in support of his tax cut. When times were good he told us we needed a tax cut to keep the good times going. When times threatened to go bad, he said we needed a tax cut to get the economy [rolling]. Now that times look a bit better, he says we need a tax cut to pay the gas bills. Someday soon, he'll tell us tax cuts will solve the problems of crime, drug abuse, teen pregnancy, traffic jams and static cling.” And that if you do not have

hair, it will make your hair grow, and make your fingernails longer. And if your hair is black, it will make it turn white over night or vice versa.

I would only add, Mr. President, that we may soon hear from the administration that tax cuts can provide whiter teeth, fresher breath, and may even cure the common cold.

But, how much are the American taxpayers willing to shell out for this miracle tonic, this tax cut?

Are the American people ready to spend the money that they invested into the Social Security and Medicare programs? In 2025, the number of people age 65 and older is projected to grow by 73 percent—in 2025. In contrast, the number of workers supporting the Social Security system would grow by 13 percent. The Social Security and Medicare Board of Trustees project that the Social Security's taxes will be inadequate to pay full Social Security benefits by 2016. This \$1.35 trillion tax cut package spends vital resources that could otherwise be used to ensure that Social Security benefits will be paid to future retirees.

The Medicare program faces a similar fate. Medicare's projected costs for hospital expenses will grow 60 percent faster than its income over the next 75 years. By 2075, Medicare's costs will be more than two times larger than its income. Again, this \$1.35 trillion tax cut spends resources that could otherwise be used to ensure that hospital insurance benefits will be paid to Medicare beneficiaries.

Now, what about our domestic investments in highways, bridges, agriculture, health care, education, and a host of other areas? Are the American people willing to trade these away for a tax cut?

This tax cut package starves the domestic discretionary side of the budget, resulting in a spending level that is \$5.5 billion below what is necessary to maintain domestic investments in FY 2002, and an incredible \$62 billion cut below what the Congressional Budget Office says is necessary to maintain current services over the next 10 years. That means cuts—cuts—cuts—veterans programs, crime prevention, highway construction and maintenance, and a host of other areas, other categories, in order to provide for these tax benefits.

Now what about the national debt? Well, we are just going to dump that on these youngsters here, the pages, and on people such as my grandchildren, my great grandchildren, and yours, yours out there. Are the American people ready to trade away this historic opportunity to retire the national debt for a tax cut?

Our current gross debt is \$5.7 trillion. How much is a trillion dollars? At \$1 per second, how long would it take to count \$1 trillion? At the rate of \$1 per second, how long? It would take 32,000 years. That is big money. We are not used to having that kind of money in my State of West Virginia.

When we talk about \$1 trillion, our current gross debt is \$5.7 trillion. That

amounts to \$929 for every man, woman, boy, and girl in the world—that is some debt, isn't it?—\$929 for every man, woman, boy, and girl in the world. That is not just pocket change. It represents \$20,062 per man, woman, and child in the United States.

Are we to disregard these financial obligations? Are we? Or should we look at our grandchildren and just wash our hands? We can wash our hands, I say to Senators, we can wash our hands of this debt and just leave to it our grandchildren. This the sacrifice that average Americans are being asked to make.

I am almost 84; 83½ yesterday. I could just walk away from the debt and let you folks pick up this obligation. We can enjoy a tax cut for ourselves—just vote for this bill and enjoy the tax cut, but leave this heavy debt burden to the folks who are going to come after us. We won't be around, so what does it matter to us? Let's vote for the Bush tax cut. I am a little selfish, perhaps a little self-centered, so I would like to have this tax cut. Let's vote for the Bush tax cut and let future generations worry about paying off the national debt.

Even if you happen to be lucky enough to be one of the privileged few who would receive any real tax relief under this proposal, you most likely wouldn't receive those tax benefits for another 5 to 10 years. Under this proposal, most of the tax cuts—estate tax repeal, increased IRA contribution limits, expanded child credit, marginal rate reductions—wouldn't be fully in place until sometime between 2007 and 2011. Marriage penalty relief wouldn't even begin to phase in until 2006. How about that, 2006? Let me say that again. Marriage penalty relief wouldn't even begin to phase in until 2006.

I am going to be a little late in reaping the benefits therefrom. A week from tomorrow we will have been married 64 years, my wife and I. Yet, the marriage penalty relief won't even begin to phase in until 2006. That is 5 years away. This bill would put these tax cuts into effect when the surplus projections are most unreliable and least likely to accurately project our ability to pay for them.

There are so many accounting gimmicks in this proposal to hide the true cost of the bill that the only reasonable, accurate measure of its cost would be in the second 10 years, which the Center on Budget and Policy Priorities projects would be \$4.1 trillion.

What kind of a balanced tax cut proposal pushes the real costs into the future at the exact moment that money is needed to finance the retirement of Social Security and Medicare beneficiaries? Where is the balance? Where is the balance in a proposal that delays marriage penalty relief for lower and middle income taxpayers so that the top marginal rates can be reduced more quickly? Where is the balance?

Where is the balance in a proposal that provides one-third of its benefits

to those taxpayers with annual income over \$373,000 by cutting those programs that benefit lower and middle income families?

Well, Mr. President, I submit that the day that this tax cut is enacted and signed into law will be remembered as a black day in our national history. So I propose that we limit the size of this tax cut until we are more certain of whether we can afford it, and that any savings be put aside in a reserve fund for Social Security, Medicare reform, and a prescription drug benefit.

My amendment would eliminate the marginal rate reductions that would benefit the wealthiest taxpayers in the Nation and leave in place the 10-percent bracket reduction that would benefit all taxpayers—lower, middle, and higher income. Under my amendment, those funds that would be allocated to repealing the estate tax for the wealthiest 1 percent of taxpayers would be redirected to ensuring the solvency of those retirement programs from which lower and middle-income taxpayers would benefit much more.

Not only would this amendment put back those funds that should have been set aside for Social Security and Medicare reform in the first place, but it would also provide for a substantial tax cut that would be more evenly distributed amongst the American taxpayers. This amendment would avoid the fiscal disasters that would certainly occur if these tax cuts were allowed to take effect under this bill, if the wild projections of 5 and 10 years out don't materialize. This amendment would ensure that Social Security and Medicare benefits are available for future retirees and that the national debt is being retired.

Mr. President, last week, at the Senate Finance Committee markup, the Democratic leader stated that he found it "difficult to accept, impossible to explain" that Congress was about to repeat the same mistake it made in 1981 by passing another massive tax cut that the Nation was not equipped to afford.

As I view these comments, and as I view this Bush tax cut, which had its genesis in the snows and cold winds of New Hampshire last year during the campaign, it reminds me of a story about Benjamin Franklin, a great American statesman, philosopher, and revolutionary of the 18th century.

As Franklin recalled later in his life:

When I was a child of seven years old, my friends on a holiday filled my pocket with half-pence. I went directly to a shop where they sold toys for children, and being charmed with the sound of a whistle that I met by the way, in the hands of another boy, I voluntarily offered and gave all my money for it. When I came home, whistling all over the house, much pleased with my whistle, but disturbing all the family, my brothers, sisters, and cousins, understanding the bargain I had made, told me I had given four times as much for it as it was worth, put me in mind of what good things I might have bought with the rest of the money, and laughed at me so much for my folly that I cried with vexation; and the reflection gave



me more chagrin than the whistle gave me pleasure.

With the wisdom of age, Franklin added:

As I came into the world, and observed the action of men, I thought I met many who gave too much for the whistle.

Mr. President, the Congress paid too much for its whistle in 1981, and it almost wrecked the economy. Insight will come after the fact when we realize again that we sacrificed too much for this tax cut.

I urge my colleagues to oppose the unsound fiscal policy in this bill. I urge my colleagues not to pay too much for the whistle. I urge my colleagues to vote for my amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The distinguished Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I yield myself such as I might consume.

I appreciate the concern of the Senator from West Virginia about Social Security. The budget resolution provides for protection for Social Security and Medicare. The relief act, in my opinion, does not jeopardize these programs. Rather, I suggest the relief act strengthens these critical programs because we have a strong, growing economy that is going to result from making sure that we keep resources with the taxpayers for them to invest and spend; thus, doing much more good than if the Government keeps those resources. A growing economy is the best guarantee for Social Security and Medicare's long-term solvency.

I will talk briefly about the fact that we have had concern expressed in the media about some of these very same things that the Senator from West Virginia has visited about—the long-term needs of all programs, including Social Security and Medicare. I think the editorial writers, as I have read them, just over the weekend, and as late as this morning, are in a frenzy about this tax cut that they need not be in. But they can't seem to make up their minds. One day we are criticized because the \$1,000 child credit is not indexed for inflation. Then the next day we are attacked because the tax cut is too expensive in the outyears.

Maybe what is really happening is the media is just against reduction of taxes. This is kind of like Goldilocks, I would say, when they first say it is too hot and then it is too cold. But I fear that, unlike Goldilocks, there is no tax cut that is just right for the elite of our media because they want no tax cuts whatsoever. They honestly believe the Federal Government creates wealth, that it is better for a political determination of more money of how the resources are divided rather than letting the marketplace do it.

Somehow, I think they feel ignored as we debate this tax bill. It is like the media crying about Social Security and Medicare. When all else fails, I think it is their goal to raise so many

questions that senior citizens so ponder the situation of the budget, whether or not there is security there, long-term security for Social Security and Medicare, it ends up scaring them needlessly.

In the process of our debate, obviously, when you look ahead 10 years—and I said this last week during the debate, so I am not saying it just because the Senator from West Virginia brought it up—in regard to the long-term projections of the fiscal condition of the Federal Government, meaning how much money is going to come in and how much we are going to spend on existing programs over the next 10 years, it is legitimate to be cautious.

On the other hand, we are making judgments based on 10-year forecasts. We recently heard about the Reagan tax cuts in 1981, 20 years ago. At that particular time, we were only looking ahead 5 years. I do not think it has entered into this debate, but I know as a fact in 1963, when President Kennedy had tax cuts, they only looked ahead 1 year. Looking ahead 1 year in 1963, looking ahead 5 years in 1981, or looking ahead 10 years in the year 2001, as imprecise as it is to look ahead, although I have to say the people who work on this are getting better at it than they were during the 1980s—but looking ahead 10 years has to be considered more fiscally responsible in our spending and taxing policies than looking ahead just 5 years 20 years ago or looking ahead just 1 year in 1963.

People might wonder why I am talking about 1963, 1981, and 2001. These are the three biggest tax relief measures passed by Congress in the last 50 years.

All I am saying is, nobody knows what the future holds, but we are making a tax relief decision for working men and women based upon these 10-year projections. We ought to give some credit to the people who work so hard to make those projections so that we in Congress can be more—I do not know whether the word "certain" is correct—so we can at least attempt to be more precise as we make policy for the long term. That is all we are doing.

I ask people to consider that in the historical approach as we try to do a better job of making public policy decisions.

I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I do not know any Member of the Senate who has more respect and regard for the Senator from West Virginia than myself. He is a Senator's Senator. He knows more about and defends this institution far more than any other Senator. He really lives for his people in West Virginia, for this institution, and for the country. I wish more people knew how hard the Senator from West Virginia fights for all those causes and all those beliefs in such a dignified way. I have the highest respect for the Senator.

I understand his concerns about this bill. I share some of those concerns. I think most Members of the Senate privately share some of the concerns that perhaps this tax cut is a little too large because it is hard to predict what the budget surplus is going to be in the future. But we have provided for this amount in the budget resolution. It did pass the Senate. I know the Senator from West Virginia believes that budget was inappropriate and did not vote for it. As the Senator knows, more than any other Senator here, we still have that budget resolution that passed through the conference and we are in this Chamber with a tax bill that passed the Senate Finance Committee.

There are a lot of provisions in this bill that are major improvements over the President's proposal and/or measures passed by the House. Most significantly, it provides a much better distribution of tax cuts so middle-income Americans receive a greater share of the benefit as opposed to wealthier people compared with the House-passed bills and that suggested by the President.

We also make specific improvements to the Tax Code. One is the creation of a new 10-percent bracket. This is large. It is the single biggest piece of the bill. It provides for \$438 billion of tax relief over 10 years to those persons who would be in the 10-percent bracket. Of course, those lower and middle-income Americans and, obviously, even the most wealthy receive some benefit because a new lower bracket rate affects everybody all the way up regardless of the amount of income.

Seventy-five percent of the benefits in this bill go to people who earn less than \$75,000. Seventy-five percent of the tax reductions in this bill go to Americans who earn \$75,000 or less. There is an upfront stimulus by making a 10-percent provision retroactive to the first of this year.

In addition, there is a significant increase in the child tax credit from \$500 to \$1,000. Friday, when I was heading home to Montana, somebody stopped me as I was getting off the airplane. I had to change planes at Salt Lake City to get to Montana. He said: Senator, I hope you get a tax credit in there. My wife is about to have a child.

I said: We are going to increase that child tax credit over time to \$1,000.

He said: Boy, Senator, I really like that. I really appreciate that. Thanks for doing that.

There are people who do benefit from this legislation. In fact, 16 million children receive benefits under this legislation, children who otherwise would not receive benefits under the other legislation.

We also create incentives for education. One can deduct \$5,000 from his or her income to pay for college tuition, which, clearly, is a help because higher education is getting so much more expensive.

The pension provisions, IRA provisions, new stimulus for more savings,

the marriage penalty, it is true, do not take effect, as my very good friend from West Virginia notes, until 2006. I have no doubt the Senator from West Virginia is going to fully utilize that provision in the code for many years, even after it takes effect in the year 2006. Of that I have no doubt.

In addition, there are other provisions in the bill that are very helpful to Americans who really need a break. They revolve around the provisions that make the child tax credit refundable. There is \$109 billion in this bill—most of it is new money—for parents, for single parents, single moms, single fathers who do not have a lot of income but are struggling to make ends meet. That is going to go a long way in keeping them off welfare rolls because it is tied in with the EITC, the earned-income tax credit. It is going to help a lot of Americans. That is all in this bill.

To sum up, this is a good bill. It is not perfect, but it certainly will put a lot of dollars into people's pockets in tax reductions. It is more fair to Americans all across the board compared with the President's proposal and those measures passed by the House. It is good legislation.

We are a very dynamic Nation. I have concerns about the size of the cut, for the reasons mentioned by my friend from West Virginia, and have some sympathy for the amendment he is offering for those reasons. I would like to give more stimulus to education, to make sure the Social Security trust fund is even better protected, the Medicare trust fund is even better protected.

We are a very dynamic Nation. We are a very resourceful Nation. We will find ways to do what we know we should do, and that includes protecting Social Security, protecting the Medicare trust fund, and making sure, too, we do all we possibly can to help our children get the very best education possible. Of that I have no doubt.

I remind Senators, if we do not pass this bill, which has been worked on thoroughly by the Senate Finance Committee, my guess is we will be faced with another tax bill which will be much less to the liking of about half the Members of this body, particularly on the Democratic side.

It would be much closer to the measure proposed by the President. It would have a distribution that is much more weighted toward upper income Americans. It would be a bill much to the dislike particularly of the Senator from West Virginia.

Life has choices. We are presented with choices, presented with alternatives. We have to make choices and choose the alternatives which make the most sense. I personally believe that given the choice between this legislation or some other legislation which would be closer to the desire of the President, if Democrats did not try to work to make this legislation better, this is a better choice; that is, this

bill as opposed to essentially the President's bill. It is roughly \$1.35 trillion—less than the President suggested but still a very significant tax cut.

Although I think this is a better choice compared to the alternative—I deeply respect the Senator's views and I have the highest regard for him—I disagree with this amendment for the reasons I have stated. With the utmost respect, I must tell my good friend I do not support this amendment.

Mr. BYRD. Do I have time remaining, Mr. President?

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. BYRD. Mr. President, I thank both of the managers again. I respect their reasons for opposing my amendment. I hope the Senate will adopt my amendment later.

Reference has been made to President Reagan's 5-year deficit/surplus estimates. Those projected surpluses in that instance were as follows: In 1982, the projected deficit was \$45 billion; the actual deficit was \$128 billion. The projected surplus for 1985 was \$5.9 billion—that was the projected surplus under the Reagan administration tax cut—whereas instead of a \$5.9 billion surplus, the actual deficit was \$212 billion. In other words, for the 5 years projected under the Reagan tax cut, the difference between the projected deficit and the actual deficit was \$921 billion. That experience should teach us to be cautious.

I close by referring to Joseph in the Bible. We will recall that Pharaoh had a dream in which he saw seven fat cattle come up out of the river to feed in a meadow. They are referred to as "kine" in the Scriptures. They were followed by seven lean cattle who ate up the seven fat cattle. Pharaoh turned to his soothsayers, his wise men, for interpretation of this dream, but they could not interpret the dream. Someone spoke of Joseph as one who could interpret dreams, so Pharaoh asked that Joseph, be brought forth from the dungeon where he was being held. Joseph interpreted the dream to mean that there would first be 7 years of plenty, represented by the fat cattle in Pharaoh's dream—7 years of plenty. The 7 years of plenty would be followed by 7 years of famine. Joseph recommended that in the time of plenty they should save, put the grain into the warehouses and prepare for the 7 lean years that were sure to come in Egypt.

We have had in this country some very good years. We have had projected surpluses. I think we ought to return to history, realizing that in some form or another it does repeat itself. We have this golden opportunity to use these years of plenty and the fruits therefrom to apply to the problems that confront the Nation, the problems that will come with Social Security, and Medicare, for example. Now is the time to deal with Social Security and Medicare.

The President has said he doesn't want to leave any child behind. The

President's budget, which was referred to by my friend from Montana, leaves the old folks behind. I can call them old folks because I am one of them. The old folks, the senior citizens are being left behind. But no millionaire is being left behind.

I urge again that the Senators vote for my amendment later in this day. I thank all Senators for listening. I particularly thank the Chair for his courtesy and kindness.

The PRESIDING OFFICER. Does the Senator from Iowa yield back his time?

Mr. GRASSLEY. We yield back our time.

The PRESIDING OFFICER. Time is yielded back.

#### AMENDMENT NO. 707

Mr. JEFFORDS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Vermont [Mr. JEFFORDS], for himself, Mr. DODD, Mr. KENNEDY, Mr. ROCKEFELLER, and Mr. LEVIN, proposes an amendment numbered 707.

Mr. JEFFORDS. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to expand the dependent care credit)

At the end of subtitle A of title II insert the following:

#### SEC. \_\_. DEPENDENT CARE CREDIT.

(a) INCREASE IN DOLLAR LIMIT.—Subsection (c) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking "\$2,400" in paragraph (1) and inserting "\$3,000";

(2) by striking "\$4,800" in paragraph (2) and inserting "\$6,000"; and

(3) by adding at the end the following new paragraph:

“(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2002, any dollar amount contained in paragraph (1) or (2) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting “calendar year 2001” for “calendar year 1992.”

(b) INCREASE IN APPLICABLE PERCENTAGE.—Section 21(a)(2) (defining applicable percentage) is amended—

(1) by striking “30 percent” and inserting “50 percent”; and

(2) by striking “\$10,000” and inserting “\$30,000”.

(c) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the highest rate of tax under section 1 of the Internal Revenue Code of 1986 (as amended by section 101 of this Act) to the extent necessary to offset in each fiscal year beginning before October 1, 2011, the decrease in revenues to the Treasury for that fiscal year resulting from the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Mr. JEFFORDS. Mr. President, the United States has entered into a time

of unprecedented budget surplus. Over \$1 trillion is the amount we are discussing. What to do with it, and trillions that are expected into the future.

For years we have struggled to balance the budget, forgoing spending for programs necessary to maintain our human infrastructure. We have not devoted enough to supporting our families and educating our children, but times have changed. There is enough money in the surplus to cut taxes, eliminate the death tax, and reduce the marriage penalty. I believe we must increase our investments in our children and families. To my colleagues I must ask, if not now, when?

I commend Senator GRASSLEY and Senator BAUCUS for their leadership. They have carefully crafted this legislation so it brings the benefits of tax relief of all Americans. They have included balanced rate reductions, a careful phaseout of the estate tax, and a refundable child tax credit. Especially important to me, they have fixed the marriage penalty for all taxpayers, including those who receive the earned-income tax credit.

There is, however, one crucial area not sufficiently enhanced to meet our national education goals. The issue not addressed in this legislation is the great need for our Nation to improve childcare, particularly the early learning and developmental aspect of that care. America lags far behind all other industrialized nations in caring for and educating our preschool-age children. We have the opportunity to make improvements. We need to act now.

If we want to get to the core of our most serious problems in education, we have to improve the care and education of our preschool children. This is something every other industrialized nation in this world does except the United States. And every industrialized nation in the world pays for that through Government funds.

I rise to offer an amendment to increase the dependent care tax credit. The current law allows taxpayers to claim a small credit for childcare expenses.

Right now, the maximum credit allowed is \$720 for one child, and twice that amount for two children. Unfortunately, no families qualify to receive the maximum. My amendment would raise the maximum credit to \$1,500, for one child, and \$3,000, for two or more children. It would allow families with adjusted gross incomes of \$30,000 or less to qualify for the maximum credit. And the credit amounts would be indexed for inflation still far from what we need but a major step forward.

This increase in the dependent care tax credit is to be paid for by slowing the reduction of the top income tax rate.

We know that from the time of birth, the human brain is making the connections that are vital to future learning. We know that what we do as parents, care providers, educators, and as a society can either promote or inhibit a

child's healthy development—the acquisition of the cognitive, social, behavioral, and physical skills necessary for success in school and life.

Far too many of America's children enter school without the requisite skills and maturity, and continue to lag behind for their entire academic career.

Billions of dollars are spent on remediation efforts to get these children "up to speed." But I believe that "an ounce of prevention is worth a pound of cure," and if we are ever to achieve the first national education goal, we must improve the quality of child care and make it more affordable and available for working parents.

We have known for years that high-quality preschool programs produce cognitive gains, improved school performance, decreased grade retention, and higher achievement in math and reading. The research has been around since the mid-1980s.

The Perry Pre-school Project, the Carolina Abecedarian Project, and the recent Chicago Child-Parent Center study are just a few of the research studies that clearly show the benefits of high-quality early care and education to future academic success. Unlike the rest of the world, America has done little to ensure that our children have access to these kinds of programs.

Quality early education is the bedrock upon which a child's future academic success is built. By giving every child a strong foundation for success in school we set the stage for that child to become a productive worker and a contributing member of society. A strong educational foundation for each child is the key to our national economic, military, and political future.

Let me show the most dramatic evidence of what I am telling you. My first chart is the results of the so-called TIMS examination. These TIMS studies indicate how we compare to the rest of the world with respect to our 13-year-olds in mathematics. As you can see from this chart, where are we? We are 16th; at the bottom of the heap. That means that 55 percent fewer American students give correct answers on the exam. Who is at the top? That is China.

There are a couple of reasons why I have this presentation. One is because it includes China. After we included China that time, someone decided not to do that again. It gives you evidence relative to the largest country with which we compete. If you take a look at the countries doing pretty well on this side of the chart—Switzerland, France, Italy—all industrialized nations that have early education and child care, these are for their 3- and 4-year-olds.

More recent TIMS studies have shown no significant change for the United States, and the most recent report was even worse.

Yet in international contests of the best math students, students from the United States are often the best in the

world. So it is not the students, it's the educational system that bears most of the responsibility for this failure.

What does this mean for our children? It means that in the global economy in which we live, our children will not be prepared to compete for the high-tech jobs that rely on math skills. In a world of global finance and integrated information systems, it will be very easy for children from other countries to line up for the best, high paying jobs.

Will this have a large impact on the U.S. economy?

I am afraid so. The Information Technology Association of America has recently issued a report that states that at present there are 425,000 IT jobs nationwide that are unfilled because the American workforce lacks the skills to do the job. And these are high paying jobs, with an average income of \$50,000 a year. To date, the United States has allowed almost 1 million H-1-B foreign students to take these jobs.

I suggest to my colleagues that a child care tax credit that sets the stage for improved math performance by American students is a direct investment in the strength and health of our economy. John Glenn's Commission issued a report entitled "Before It's Too Late," which emphasizes this need.

The overall health of our society depends on our children coming to school ready to learn and ready to read. Our democracy itself; our leadership in the world, is dependent upon literate citizens.

I want to now to refer to another National Center for Education study entitled "The Nation's Report Card, 4th Grade Reading 2000."

Forty percent of American fourth graders are reading below grade level, and 68 percent are not reading at a level that demonstrates solid academic performance. What this says to me is that more than half of our young students have not learned to read very well.

And if you haven't learned to read you cannot read to learn. And I have to wonder if it is a coincidence that 40 percent of our Nation's 3- and 4-year-olds are not enrolled in preschool programs—40 percent, again.

From first through third grades our children are supposed to learn to read so that they can go on to academic success. Without excellent reading skills and a love of reading and learning we are doomed to a spiral of ignorance in our society. We will lose the cultural and historical richness that informs us as a democracy. How can we rightfully retain our place as leader in the democratic world, if many of our students emerge from our public education system functionally illiterate?

We must invest in our children from the moment they are born so that they are fully prepared to be excellent and early readers. This is an investment we must make.

Today, two-thirds of our 3- to 5-year-olds are in some type of care outside

the home. For some, that care is part-day or part-year. But many spend 35 hours or more in the care of someone other than their parents.

A recent nationwide study found that 40 percent of the child care provided to infants in child care centers was potentially injurious—not that it was beneficial but that it was injurious.

Fifteen percent of center-based child care for all preschoolers is so bad that a child's health and safety are threatened.

Seventy percent of center-based child care is rated mediocre—they are not hurting, but neither are they helping children.

Only fifteen percent, I repeat, 15 percent actively promote a child's healthy development.

We know that high quality, preschool education and care improves school readiness and school performance, leads to better socialization, and results in cognitive gains for our children.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has approximately 17 minutes remaining.

Mr. JEFFORDS. While there are benefits for all children, low-income children benefit even more than children from more economically advantaged families. And we see those benefits regardless of the setting in which the early education and care takes place—as long as it is a quality program.

So I ask my colleagues, how can we, as a nation, continue to shortchange these programs?

Why do we not view early care and education as an integral part of our educational system?

How can we as a nation continue to view it as a private matter among families, rather than a social imperative?

Every one of our industrial competitor countries do. Every one—and the government pays for it. We are leaving children behind.

Our children are not entering school ready-to-learn. Our children are lagging behind most other industrialized nations in math and science.

We know that the best predictor of quality early education and care and positive outcomes for children is a trained, competent teacher. So why do we have a child care workforce that has little education and training beyond a high school diploma?

The majority of the providers in center-based child care receive less training and job specific education than child care workers in urban areas of Nigeria.

We know that this surplus should be used to address the greatest needs in our nation today. So why don't we begin to take care of the most critical problem, the early education and care of our children?

Spending for child care over the past few years by governments—local, State and federal—has increased.

Yet, less than 15 percent of the families eligible under Federal law to re-

ceive child care subsidies are receiving any assistance.

The Head Start Program is only serving about 40 percent of the children eligible for the program. The educational component of that program is in the process of being expanded and strengthened.

The Dependent Care Tax Credit helps offset a small portion of the costs of a family's child care expenses.

American parents are the main source of funding for early care and education. They pay it right from their pocket.

All of our competitors in the international marketplace, have government paying most of the costs of care.

Of the total funds spent on early care and education, government pays for 39 percent, private sources—1 percent, and parents—60 percent. This is the reverse of the cost-sharing between parents and government in other industrialized nations.

In all of the other industrialized nations, the costs of early care and education for 3- and 4-year-olds rests with government, employers, or a combination of both. Parents are responsible for a small percentage of the costs, generally in the ten to twenty percent range. In comparison, some low-income working families in the U.S. have to pay 10, 20, sometimes 30 percent of their household income just for the co-payments required to receive a Federal child care subsidy.

In addition, much of the early care and education in America is of poor to adequate quality. High-quality care is expensive, and few families can afford to pay any more.

In every State, except one—Vermont, the cost of 1 year of child care for a 3- or 4-year-old is more than the yearly cost of tuition at a public four-year university in that state. And Vermont's distinction is due to the high cost public higher education, rather than a lower cost of child care.

We know how to improve the quality of early care and education.

We need better trained and educated teachers. We need to pay those teachers more.

We need to quit viewing child care and early education differently—and recognize the critical importance of early education.

We need to integrate quality early learning and healthy development into all care giving.

We need to make quality early learning programs more affordable and available to all children—particularly 3- and 4- year-olds.

We need to give providers funds to recruit and retain quality teachers, to upgrade facilities and equipment, and to provide staff training on a regular basis.

We need to help states increase not only the number of low-income working parents receiving child care subsidies, but make sure those subsidies are high enough to allow families to afford quality care for their children.

Middle and lower-middle income working families receive the least amount of help in covering the costs of child care, and spend a disproportionately high amount of their household budget on child care. We have to focus more government assistance in their direction.

We need to increase the number of quality programs by improving existing care and starting new programs.

We need to encourage businesses to provide more on- and near-site child care for employees and more resources to support the child care arrangements of their employees. Federal tax credits and incentives need to be increased to help these businesses.

And we must make those improvements without increasing the costs to parents.

In other industrialized nations, early education and care for 3- and 4-year-olds is universal, voluntary and free to parents, regardless of their income. Early education and care is viewed as good for children and an important part of the public education system.

American families struggle to pay \$4,000, \$6,000, and sometimes over \$10,000 a year for child care for their young children.

Our own Senate employees, many using federally subsidized child care centers, pay \$6,000 to \$7,000 a year for one child—out of their own pockets with little financial help.

A few local and State governments have already accepted this view of preschool and have devised a variety of ways to finance their efforts.

Some counties in Florida increased property taxes to pay for pre-school and child care services.

Voters in Aspen, CO, approved a dedicated sales tax for child care.

Maine has created tax increment finance districts and identified child care as an approved development program cost.

Missouri dedicates a portion of the funds received from the state lottery to the Early Childhood Development, Education, and Care Fund.

North Carolina has done a remarkable job in subsidizing child care wages and benefits in exchange for completing professional development activities.

Rhode Island has extended health care benefits for child care providers through the State's publicly funded health insurance program.

Connecticut makes long-term, low-interest loans for the construction and renovation of child care centers available as tax-exempt bond funding. It has started a school-readiness program to make sure low-income children have access to high quality early learning experiences.

New York has a generous, refundable child care tax credit against state personal income taxes that are owed.

And last, but never least, Vermont gives increased subsidy rates for accredited care, and provides cash bonuses to child care providers that get

accredited or complete academic degrees.

Other States have created voluntary income tax check-offs, car license plates, motor vehicle registration accounts, and other innovative means of financing high-quality pre-school programs. Even with these creative approaches, quality pre-school programs are still out of the reach of many parents.

Several States have started programs and tax incentives to get the business community to assume more of the costs of child care for their employees. Some companies, such as IBM, AT&T, and Bank of America, have clearly stepped up to the plate. But too many others have not.

It is particularly hard for small business owners. Unfortunately, many of these programs and incentives have met little success. Participation levels are very low, even among businesses that provide child care assistance for employees. We must work with the business community to create incentives that work for employers and employees alike.

Government, businesses, or parents cannot do this alone. Providing quality early care and education must be a partnership. There must be joint responsibility and cost-sharing.

Government needs to view early education and care as an integral part of the education system. It needs to provide additional funding to improve quality and decrease the costs for parents.

The business community needs to view early education and care as necessary for recruiting and maintaining today's employees. It needs to see it as an investment in tomorrow's workforce.

Parents are already paying most of the costs of care, and find few choices that provide high quality care at a price they can afford. They must have more choices so their children can grow up healthy and ready to succeed.

We must improve the quality and financing mechanisms for early care and education, particularly for our Nation's 3- and 4-year-olds. This is an investment in the real "infrastructure" of our country—our children and families. It is one that we cannot afford to ignore any longer.

Isabelle Sawhill of the Brookings Institute has estimated that a high-quality, 2-year program in the United States would cost about \$8,000 annually per child. This translates to about \$30 billion a year to serve all families with incomes under \$30,000 a year. This amendment represents a down payment on that investment.

In March, the HELP Committee held a hearing to compare the United States early care and education, with the rest of the world. At that hearing, a child care provider from Vermont testified. At the conclusion of her testimony, she said: "Why do so many children get left behind?"

One, there simply is not enough capacity to meet the needs—it's that

simple. Two, few parents can afford high quality care. We are talking about young families at the lowest point in their income earning years paying up to fifty-eight percent of their income on child care.

These young parents absorb 87 percent of the cost of care, as opposed to their later years and incomes are higher and they bear only 47 percent of the cost of a year in college. We ask families to pay more at a time they can least afford it.

I always tell my staff, don't come to me with a problem unless you have at least three potential solutions. Here are my suggestions for easing the child care crisis:

Bring business on board as partners.

Forgiveness of student loans, access to higher wages, and health care for providers will help attract and retain our child care workforce.

Quality incentives work, whether we are talking about guaranteed bonuses for extended education or training, or accreditation.

Tax cuts are great, but only after the true needs of a nation have been met. You have a difficult choice: save a little now by not funding a comprehensive early care and education initiative or pay a lot later. Studies show that for every dollar we spend on early care and education, we save seven dollars in other government programs down the road.

We can no longer afford to be a nation where only the poor or rich have access to high quality early care and education. You need to commit precious resources to our most precious resource, young children.

Let me show you just some other documentation. I want to bring to your attention a study that all of my colleagues ought to read. This is done by the French-American Foundation. The study compares the French system with American childcare. They point out how well the French do in comparison. I urge Members to look at this study. We have copies of this study available. It demonstrates how beneficial the French system is. We should use it as a model. There are other systems also that we should look at for possible solutions to our early care and education crisis.

Mr. President, at this time I yield to my friend from Connecticut 10 minutes.

The PRESIDING OFFICER. The Senator from Connecticut is recognized for 10 minutes.

Mr. DODD. First of all, I commend my colleague from Vermont for offering this amendment. I am delighted to be his principal cosponsor. This is an issue we have worked on together for as many years as we have been in the Senate. My colleague from Utah, Senator HATCH, and many others have helped us develop the Child Care and Development Block Grant program.

I note that the Presiding Officer has more than a passing awareness and knowledge of the subject matter of this

amendment and has been involved in the question himself when he was in the other body as well as support here.

What we are changing with this amendment are three things that pertain to the Dependent Care Tax Credit or, DCTC under current law. We have not changed, in 20 years, the amount of annual eligible expenses for child care against which the dependent care tax credit is based. That is what we are talking about in this amendment.

Under current law, eligible expenses for child care are capped at \$2,400 for families with one child and \$4,800 for families with two children each year. We want to raise the cap on these expenses from the present level of \$2,400 for a single child up to \$3,000. For families with more than one child, the cap on annual child care expenses would be increased from \$4,800 to \$6,000. That would be for two children. So we are increasing the amount of child care expenses that would be used as the base against which the dependent care tax credit is calculated from \$2,400 to \$3,000 for families with one child; and \$4,800 to \$6,000 for families with two children.

But then we do something else. Under current law, a family can only take a percentage of eligible expenses capped by law as their dependent care tax credit. We have talked already about the amount of eligible expenses that we would be increasing under this amendment. But, also in this amendment, we would increase the percentage that is applied to the capped amount of eligible expenses to calculate the credit.

Under current law, the lowest income families can only take 30 percent of \$2,400 in eligible expenses for one child or 30 percent of \$4,800 for two children. That's the maximum credit allowed under the DCTC. The amount of expenses as well as the percentage of eligible expenses have not been changed in 20 years. What our amendment does is increase the percentage of eligible costs for the lowest income families from 30 percent to 50 percent. If you make from \$10,000 to \$30,000, you get a maximum of a 50-percent credit. If you make in excess of \$30,000, that percentage declines as income rises until it reaches 20 percent. Even the most affluent family in the country can claim 20 percent of allowable eligible expenses for child care under the dependent care tax credit.

Then, lastly, we index to inflation the child care expense thresholds, the annual child care expenses against which the credit is based, because over the last 20 years there have been no increases at all. Obviously, the cost goes up for child care and related expenses, so we will be back at this again. So why not index it, as we have in so many other areas of the Tax Code? That is all this amendment does.

There is no refundability in this amendment. I regret that, but we did not include refundability.

So very briefly, again, what we do is we increase the amount of eligible expenses under the dependent care credit

that a family can take into consideration in calculating their dependent care tax credit. In the case of a single child, the child care expense threshold would increase from \$2,400 to \$3,000; in the case of two children, the child care expense threshold would increase from \$4,800 to \$6,000.

You can talk to any family in the country, and they will tell you about the cost of child care. Today it is not uncommon to have child care costs reach \$10,000 a year per child. On average, child care expenses both in urban and rural areas are between \$6,000 and \$10,000 a year. That has gone up considerably in 20 years. Twenty years ago, the cost of child care hovered around \$1,500 to \$2,000, in some cases \$3,000 or more. In 20 years, those costs have just gone up through the ceiling.

Today, in some of the poorer areas, good child care can cost as much as \$10,000 or more a year. Needless to say, if you are a family, say, making \$40,000, \$50,000, \$60,000, with two kids, obviously, when you are spending as much as \$6,000 to \$20,000 for child care for those two children—before you pay rent, before you pay a mortgage, before you put food on the table, clothes and the rest—obviously, that is an extraordinary amount of expense.

So by raising the child care annual expense threshold from \$2,400 to \$3,000 in the case of one child, and \$4,800 to \$6,000 in the case of two children, and then increasing the percentage applied to the child care expense base from 30 percent to 50 percent—in the case of the poorest people—with a sliding scale that drops to 20 percent for the most affluent Americans, we think we are going to provide some needed assistance to people who are burdened by high child care costs. For everyone, just like under current law, the amount of allowable expenses would be the same. But, for those families who are low income and moderate income earners, they would be able to take a larger credit than current law—because, both the amount of allowable eligible expenses and the percentage applied to that base would be increased.

How do we pay for it? We drop the top income tax rate by whatever number it needs, maybe 1 point, maybe even less than 1 point to pick this cost up. So we are still providing a tax break for the most affluent Americans. But one of the most significant costs that Americans face is for dependent care, and they need this help.

The Senator from Vermont has laid out—I am, again, preaching to the choir when I speak to the Presiding Officer and the chairman of the committee. They know in the case of Iowa, and in the case of Kansas, there are a lot of hard working folks out there, single parents raising kids. This is not a choice. This is not a case where someone is sitting there and saying they think they will go to work or won't go to work. This is a case where people actually have no other choice. So we are providing some real relief.

I say, with all due respect to the managing members of this bill, the chairman of the committee, we have done something clearly in this bill on the per child tax credit, and I appreciate that. But the dependent care tax credit has not changed. There has been no change in 20 years. It may be 20 years again. It has been nearly 20 years since the last time we dealt comprehensively with the Tax Code. It could be another 20 years before we have a chance to fix it.

So what we are suggesting in this proposal—as the chairman of the HELP Committee pointed out, is that millions of families struggle with child care costs every week. The need for child care assistance is great. Some 65 percent of mothers with children under the age of 6, and 78 percent of mothers with children between the ages of 6 and 13, are working today. Nearly 60 percent of mothers with infants are working. This is not a question of whether or not a need exists. The need is clearly there.

If you do the math on this, a single parent earning \$30,000, who has a 1-year-old child and a 3-year-old child, would be spending as much as half of her gross income on dependent child care expenses. The present dependent care tax credit helps, but it is no real match for the reality of the child care market.

Under current law, the maximum credit a family can claim is \$720 for one child for 1 year—30 percent of \$2,400, and \$1,440 for two—30 percent of \$4,800. That is not insignificant, but it is not enough to make a family's \$8,000 child care bill more affordable.

Our amendment would also index the thresholds for child care expenses for inflation. That is just common sense. Over the years, most of the basic tax provisions affecting tax liability have been indexed for inflation. The personal exemption, the standard deduction, tax brackets for low-income families, the earned-income tax credit, all have been indexed. By indexing the child care expense thresholds under the dependent care tax credit, we would ensure that the credit keeps up with market realities. Within the context of the overall provisions of this tax cut proposal, we can afford it.

We have not increased the child care expense thresholds themselves a dime, let alone indexed them for inflation, over the past 20 years. So again, by raising the child care expense thresholds, and then raising the percentage of eligible expenses a family can take in calculating its dependent care tax credit, we will provide some real relief for families with high day care costs. For example, the maximum credit for a family with one child would increase from 30 percent of \$2,400 or \$720 to 50 percent of \$3,000 or \$1,500. The maximum credit for a family with two children would increase from 30 percent of \$4,800 or \$1,440 to 50 percent of \$6,000 or \$3,000. These changes will really help low and moderate income families where every dollar counts.

In view of the costs of child care expenses, we think this is an affordable amendment, one that makes sense and provides real relief for working people.

There are no income eligibility caps on the dependent care tax credit, so even the most affluent families can claim as much as 20 percent of allowable dependent care costs.

For these reasons, we urge our colleagues to support this very modest amendment—it is not that expensive—and to reduce the top rate just a fraction to pick up this cost. We think this is something that would make this tax bill a far better proposal.

With that, Mr. President, I yield back whatever time I may not have consumed to the distinguished Senator from Vermont.

Mr. JEFFORDS. Mr. President, I thank my colleague for his very helpful statement. I praise him for the work he has done in this area.

To close up, I would like to follow up on my colleague's statement with a chart. This is the source of funds for child care in early learning in the U.S.: 60 percent by the parents, 1 percent by the private sector, and 39 percent by the Government. In the other countries, it is just the opposite. It is 60 percent by the Federal Government, about 30 percent by the parents, and about 1 percent by the private sector. That is just to emphasize what the Senator has pointed out.

That was excellent testimony that dramatically pointed out to me the serious problems we have.

I ask unanimous consent that Ms. Apgar's statement be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATEMENT OF KATHI J. APGAR, EXECUTIVE DIRECTOR, BRISTOL FAMILY CENTER, BRISTOL, VERMONT, PRESIDENT, VERMONT ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, BEFORE THE SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS, MARCH 27, 2001

I would like to thank Senator Jeffords and the H.E.L.P. Committee for inviting me to share some of the experiences of operating a non-profit, early care and education facility. Most of today's panelists have related statistical information pointing to the crisis in early care and education in our country and the solutions developed by other nations.

I am here to add a personal face to the harsh realities of maintaining a quality program under some dire economic circumstances and add a passionate plea to add new federal dollars to early care and education. We are not talking about "re-directing" federal dollars here, let me be explicitly clear: I am a master of robbing from Peter to pay Paul so I can tell you "re-directing" is simply another word for non-commitment. We in the early care and education field are talking, real, new federal dollars infused into an inadequate system where children and the future of a nation are at stake.

I have been at the Bristol Family Center for almost eight years. Most of my 11-person staff has been with me that long—a virtually unheard of retention rate in an industry which boasts a 30% turnover in employees

each year. That would be the equivalent of your sixth grader suffering through three new teachers each year . . . this would not be acceptable in the public school setting and it simply is not in the earliest, most critical years of a child's life. My staff started with me at or just above minimum wage with no benefits except federal holidays and three paid sick days per year. It has taken me eight years to raise their salaries to between \$8.65 and \$13.00 per hour. . . . Still no benefits. This means no health, no dental, no retirement, no long or short term disability . . . We simply cannot afford it.

As we expand our program this year to include infants and toddlers (there is a waiting list of 50 children for every available slot in this age range) I do not know where my staff will come from. Few teachers are readily prepared for an early education setting like mine where English is a second language: abuse is their first communication. Can you blame most available teachers for seeking public school positions with guaranteed salaries and benefits when we cannot afford to compete with that security?

Why can't you afford it you ask?

53% of my enrollment is subsidized by the State of Vermont Child Care Services Division (to you, that's Child Care Block Grant dollars, that's TANF dollars).

The State reimburses us \$94.60 per week (55 hours of care at roughly \$1.72/hr.).

It costs me \$209.79 per week to provide high quality care for these eligible children.

It doesn't take the Congressional Budget Office to tell me that is a \$115.00 per child, per week deficit or \$5,980 per year, per child for which I must beg the American Legion, VFW and private philanthropic trusts for program support dollars.

People look at my budget and say "Just cut staff and your bottom line will be fine." But think about this for one moment:

In higher education, the quality and quantity of faculty and staff determine the success of a Student's experience.

The same thing is true in early care and education—if I cut staff, the success of a child's first experience plummets.

If you want children to enter kindergarten ready to learn—then "early literacy" doesn't mean exposure to books distributed at healthy child visits or flash cards at the high chair, it means:

Honest to goodness human contact with highly trained providers who are readily available through a low child-to-teacher ratio.

It means always having a lap to snuggle on when a book piques the child's interest and discussing what may happen next in the story or creating a song from surrounding the characters.

Early literacy means having someone across the lunch table from a 3- or 4-year-old sharing silly, giggling rhymes and tongue twisters.

Early learning happens when there is someone around to record the child's words to accompany a treasured drawing so they begin to see how letters are the symbols through which feelings and thoughts are communicated.

Kids must feel safe and respected if they are to thrive and be ready for the challenges of a formal school setting not always ready for them.

I cannot provide these quality opportunities for children on the recommended 10:1 ration—I maintain a ratio of roughly five children to one teacher. This may not help my budget—but my true bottom line is the success of a child's experience.

We must never try to supplant the important role parents play as the child's first, and in most cases, best teacher. As modeled by other countries, this is not an us vs. them

rationale—we want parents to have the ability to stay home with their young children but the economic viability of this option is not a reality in most American homes.

In Vermont, 87 percent of children under the age of six live with working parents. This creates a tremendous burden on a system whose capacity has not significantly expanded in 10 years or more. We have 35,000 children in regulated care not necessarily quality care. I am a NAEYC (National Association for the Education of Young Children) validator meaning I review programs as they strive to meet the high standards of national accreditation—so I know what quality should look like and we simply do not have enough quality or quantity in the U.S.

Another 25,000 of Vermont's children birth through age eight are in unregulated care—believe me, in many instances you don't want to know what that means. Right now, we are only providing subsidized care for low income and/or at-risk children. Increases in Head Start dollars target the same population—frequently only offering part-time care, not the full day, full week, full year programming working families need—especially those moving back into the workforce thanks to the "Welfare-to-Work" initiative.

Why do so many children get left behind?

(1) There simply is not enough capacity to meet the needs—it's that simple.

(2) Few parents can afford high quality care. We are talking about young families at the lowest point in their income earning years paying up to 58% of their income (with an infant and 4-year-old) in child care. These young parents absorb 87% of the cost of child care as opposed to their later years when incomes are higher and they bear only 47% of the cost of a year in college. We ask families to pay most at a time when they can least afford it and pay less when they are better equipped for these expenditures.

I always tell my staff, don't come to me with a problem unless you have at least three potential solutions. Likewise, I have some suggestions for easing the child care crisis:

Bring business on board as partners—the ultimate economic gain is having a stronger workforce whose potential is not wasted because they are worrying about the safety and well-being of their young children. I'll be happy to elaborate on our model collaboration with Middlebury College to create a new infant/toddler center thanks to business participation.

Forgiveness of student loans, access to higher wages and healthcare for providers help us attract and retain employees. Each of these options is already being done in other professions such as border patrol and rural medicine. Let's work together to bring these options to early care and education.

Quality incentives work whether we are talking about guaranteed bonuses for extended personal credentialing or program based bonuses tied to national accreditation standards—it works and children benefit directly from these upward movements.

Tax cuts are great but only after the true needs of a nation have been met. It's nice to hear the slogan "No child will be left behind" but as an early educator, parent, taxpayer and lifelong Republican—I'm here to tell you under the current budget—children will be left behind in droves. You have a difficult choice: save a little now by not funding a comprehensive early care and education initiative or pay a lot later. We know that every dollar spent in early care and education we save over \$7.00 in corrections costs. Quality early intervention works in every country, every time.

We can no longer afford to be a nation where only the poor or rich have access to high quality early care and education. You

need to commit precious resources to our most precious resource, young children. You can do it, you have proven it on our military bases around the world. We know you can do it and now we expect that you will do it. Thank you.

Mr. JEFFORDS. Mr. President, I urge my colleagues to vote to waive the Budget Act, pass this amendment, and help our families who are struggling with the higher cost of child care.

The research demonstrates so vividly that we have to do more now. Let me again reflect on the chart I displayed earlier. Nearly 40 percent of America's fourth graders are reading below grade level; 68 percent of fourth graders cannot read at a level that demonstrates solid academic performance. That, compared to the rest of the world, is abominable. Again, in mathematics, this is so critical for the Nation's workforce. We have hundreds of thousands of jobs and we find that American students are not qualified to take those jobs. We are at the very bottom of the heap. That is why we have nearly 1 million H-1-B foreign-born students, people from other countries coming in and taking those jobs which our young people could have—if they were qualified.

I yield to the Senator from Connecticut.

Mr. DODD. Mr. President, the Senator from Vermont has laid this out very clearly. I hope our colleagues will find the wisdom to support this. I know the Senator from Iowa and the Senator from Montana wrestled very hard. They have been good supporters on many of these issues over the years. Here is something where just a modest change in the rates can make a huge difference to people. I am not talking about the poorest people, although some of them are, but people who are earning about \$40,000, \$50,000, or \$60,000 a year. You have two children, and it is costing them \$17,000 or \$18,000 a year for child care. That is a huge whack out of gross income.

To provide some increase to defray these costs is a great advantage and a great help to these people. We urge our colleagues on both sides of the aisle to be supportive of this very fair, thoughtful, modest amendment. I thank my colleague for offering it.

Mr. JEFFORDS. I thank the Senator from Connecticut.

I am not alone in examining these issues. Here is, for instance, a report from California, "Challenges for Higher Education," indicating how important it is for our young people to have the expertise, ready to enter the workforce; from Business Week, "How to Fix America's Schools," because we are not providing the right type of trained workforce; and another one, "Helping Students to be First in the World," recommending action in early care and education by the Council of Chiefs of State school officers. There are a many reports and studies. This is one I mentioned earlier, demonstrating how wonderful the French system is and how

terrible our child care is. And there are more.

I will conclude by asking the question I did at the beginning: If not now, when? If we have trillions of dollars of surpluses, and we have billions of dollars of need, why can't we solve it? I see no reason. Now, we have an opportunity to take an important but small step forward.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume. I won't speak long because I know the Senator from Connecticut is waiting to offer his amendment.

I rise mainly not to comment on the amendment of the Senator from Vermont but to take some time to speak about his contributions to the legislation that is before us. We heard earlier this morning a statistic that Senator BAUCUS gave about 75 percent of the benefits of this legislation go to families making under \$75,000 a year. The Senator from Vermont, through several provisions on which he has worked with me on this bill, deserves a great deal of credit for this legislation being well balanced.

I listened to what the Senator from Vermont said about the amendment he now lays before the Senate. I appreciate his speaking on that subject. He should be very proud of his work on the Senate Finance Committee, as he has every right to be proud of the work that has come from his own Senate committee that deals with the issue of education and many other items. It is fair to say that no Senator has had a greater influence on the relief act that is before us than Senator JEFFORDS. His fingerprints are on the expansion of the earned-income credit for married families, the child credit being extended for working families who do not pay income tax, and the inclusion of the pension bill, and many of the education provisions in the bill.

A married family with two children making \$15,000 will receive an additional benefit of over \$1,000 next year under the bill before us. That is thanks in no small part to the efforts of Senator JEFFORDS. I realize the bill before us, as is obvious from the introduction of the amendment, does not do all the Senator from Vermont hopes for in the way of dependent care. I think it is a strong step toward his goals. The changes I have mentioned already to the relief act are estimated to cost tens of billions of dollars. The Senator's amendment falls in the area of an additional \$25 to \$30 billion, a figure over 10 years. That would be in addition.

It is unfortunate that we can't, for a lot of good amendments that are being offered, including the amendment by the Senator from Vermont, do all the things given the tight constraints with which we are faced. But the Senator is always blazing a trail for the work of the Congress, and most of his attention

rightfully is given to the needs of families with children and preparing people to do well in school.

I don't know what we can do on this particular amendment. But I have heard what the Senator from Vermont said. I pledge myself to work with him. I yield the floor.

The PRESIDING OFFICER (Mr. DAYTON). The Senator from Vermont.

Mr. JEFFORDS. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Does the Senator yield back his time?

Mr. JEFFORDS. I yield back the remainder of my time.

Mr. GRASSLEY. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DODD. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 695

Mr. DODD. Mr. President, I send my amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD] proposes an amendment numbered 695.

Mr. DODD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To limit the reduction in the 39.6% rate to 38% and to replace the estate tax repeal with increases in the unified credit and the family-owned business exclusion so that the savings may be used for Federal debt reduction and improvements to the Nation's nontransportation infrastructure)

On page 9, in the matter between lines 11 and 12, strike "37.6%" in the item relating to 2005 and 2006 and insert "38%" and strike "36%" in the item relating to 2007 and thereafter and insert "38%".

Strike title V and insert:

**TITLE V—ESTATE AND GIFT TAX RELIEF**

**SEC. 501. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.**

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

<b>"In the case of estates of decedents dying, and gifts made, during:</b>	<b>The applicable exclusion amount is:</b>
2002, 2003, 2004, 2005, and 2006 .....	\$1,000,000
2007 and 2008 .....	\$1,125,000
2009 .....	\$1,500,000
2010 or thereafter .....	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

**SEC. 502. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.**

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

<b>"In the case of estates of decedents dying during:</b>	<b>The applicable deduction amount is:</b>
2002, 2003, 2004, 2005, and 2006 .....	\$1,375,000
2007 and 2008 .....	\$1,625,000
2009 .....	\$2,375,000
2010 or thereafter .....	\$3,375,000.

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—If an immediately predeceased spouse of a decedent died after December 31, 2001, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2001.

Mr. DODD. Mr. President, let me quickly get to the heart of what this amendment does, and I will give some explanation of the specifics of it.

This amendment is designed to reduce the amount of the tax cut at the top rate by a relatively small amount—about 1.6 percent—using those resources to do two things and, in addition to that, also modifying the repeal of the estate tax. By doing those two things, reducing the top rate by less of an amount, by 1.6 percent rather than the 3 points, and by having a modification of the estate tax, we take those resources and apply them to paying down more of the national debt. Fifty percent goes to that, and 50 percent goes to nontransportation infrastructure—the water systems, sewage systems, the electrical, and all the things that go on every day that are necessary for our cities, communities, and States to work.

We have done very little about investing in the physical infrastructure



of America. You cannot go back to your respective States and talk to a mayor or a Governor and they won't tell you that one of their major problems is dealing with the nontransportation infrastructure needs. Almost on a daily basis, when you pick up any paper in America, you will read where another gas main, water main, sewage main has burst or broken, hasn't been replaced in years, schools are literally falling apart—kids go off to school every day to schools built decades ago. Obviously, there are transportation needs. Those are dealt with in other places. This is nontransportation infrastructure and debt reduction. That is what I want to do with this modest change in the tax bill that is in front of us. There are two things that I think are absolutely critical if we are going to succeed in the coming years economically.

Presently, we pay between \$220 billion and \$225 billion a year in interest payments. Let me repeat that—between \$220 billion and \$225 billion a year in interest payments. An interest payment doesn't build anything, doesn't make anyone healthier, doesn't provide a Pell grant to go on to higher education, doesn't build a school, a road—it does nothing. All it is is interest payments on the national debt that we have accumulated, the bulk of which was accumulated in the 1980s and early 1990s—in excess of \$3 trillion or \$4 trillion. Mr. President, \$200 billion a year—even with the surplus—is going in that direction.

Certainly, we all ought to agree as Americans that one of our major goals ought to be to bring that debt down. I understand there is a good argument for not eliminating it altogether, and I will accept that. But nobody can convince me that paying \$220 billion a year out of taxpayer money to go to interest payments at the expense of other things we need makes much sense.

I think we ought to modify the tax cut for the most affluent Americans by 1.6 percentage points—that is all, 1.6. You still get a good tax cut here. But by a 1.6 point cut, and using those resources to help pay down that debt, and then by modifying the repeal of the estate tax, which only affects 49,000 Americans—modifying that to help rebuild or try to contribute to the infrastructure needs of our country.

How bad are the infrastructure needs? Interest costs on the debt, by the way, are \$220 billion a year. Over the next 10 years, that is \$1.5 trillion, if we do nothing, if we just accept the present level of debt. Let's assume the economy runs pretty smoothly out here, with no new increases but no real debt. That is \$1.5 trillion in debt, according to the Congressional Research Service, if we do nothing to increase our indebtedness.

In 2001, interest payments on the debt were 11.2 percent of the budget and 2.1 percent of the GDP. According to the Society of Civil Engineers, the condition of America's infrastructure

receives a failing grade of D plus. They go down the list in terms of roads, bridges, transit, aviation, schools, drinking water, wastewater, dams, solid waste, hazardous waste, navigable waterways, energy—all the way down are Ds, flunking. They estimate that over the next 5 years, just to put it in working condition—not replace—would be \$1.3 trillion to bring the Nation's infrastructure into a C or C+ condition. We are doing almost nothing about it.

As we are talking about a tax cut—and I think there is room for it—can we not modify this tax cut by a modest amount to help reduce the debt and invest in the infrastructure needs of America? That is not a complicated question—just modify it, not eliminate it. I am not talking about taking the tax cut off the table, but instead of reducing the top rate from 39 percent to 36 percent, how about just bringing it down 1.6 points?

By the way, I come from the most affluent State in the country on a per capita income basis—Connecticut. If you repeal the Federal estate tax, it affects about 980 people in my State of 3.5 million people. That is 980 people in my State, and 49,000 nationally. So just modifying the estate tax and reducing the size of the tax cut for the most affluent Americans, I can make a huge dent in the national debt of this country and I can invest in the infrastructure needs that we are told, by every objective analysis, are in desperate need of repair. That is what this amendment is designed to do, very simply—bring down that debt, reduce those interest payments, and invest in the infrastructure.

Are we asking so much? In fact, I suggest that if we asked the most affluent Americans whether or not they would be willing to take a more modest tax cut—not to eliminate the tax cut, but a more modest tax cut—in order to bring down the national debt and to invest in the infrastructure, water systems, and sewage systems that are falling apart in our country, they would say you ought to do that.

I don't know why it is we think that the most affluent people would be opposed to doing some of these things. Yet to hear some of the speeches on the floor of this Chamber, that even a modest reduction in the size of the tax cut for the top 1 percent of income earners, people making \$300,000 or \$400,000 a year, a slight reduction in their tax cut is absolutely unacceptable, even when it means cutting into that \$220 billion a year that goes for interest payments. When I think of what I can do with \$220 billion for schools, roads, and other things that our country needs.

I have a great fear, of course, that we are going to see this proposal in front of us cause an increase in the national debt. If that happens, of course, then interest rates on cars, homes, and other consumer goods will go up, and that is an awful tax increase. When interest payments on those consumer goods rise, that is a tax increase.

We have seen that happen in the past. We are not unfamiliar with rising interest rate costs and what they can do to people's ability to provide for their families, for businesses to grow and expand and hire more people to compete in the global marketplace.

I have great concern that because of what we are doing with this tax cut proposal—crowding out our ability to do these other things, such as paying down the debt and investing in the infrastructure needs of our country—that we are going to look back and rue the day.

I am 1 of 10 people who was in this Chamber 20 years ago when a similar tax cut proposal was being made, a more modest one. Ten of us said: We are fearful that if we adopt this tax cut proposal, this country is going to witness an increase in its indebtedness, it is going to see interest rates climb, and hard-working people are going to see the cost of everything they need go up.

There are only 3 of us left today in this Chamber who were part of that group of 10 who voted against that tax cut in 1981–1982. I do not know of many people who would not like to have that vote back, if they could.

I do not need to spell out what happened during the mid-1980s and early 1990s. Our national debt went from under \$1 trillion to in excess of \$3 trillion, almost \$4 trillion. Interest rates went up to the ceiling, the economy went dead, flat in the water, and it was not until 1990 and 1993 that we began to come out of it, we began to see our economy grow and expand again as a result of some very courageous votes taken in this Chamber and the other Chamber.

I do not want to see us go back to recreate the mistake we did 20 years ago. I have a great fear that is about what we are going to do in the next 12 hours or less. I do not fault the managing Members for the job they have had to do in the Finance Committee, but this is being done awfully quickly.

It is only the middle of May, and we are jamming through this tax cut proposal even before we are being told what the defense numbers are going to be. We have an energy crisis looming on the horizon. Thomas Friedman of the New York Times called it the "perfect storm."

We have this tax cut proposal, as much as a \$150 billion to \$200 billion increase in defense spending, and an energy crisis looming and we are charging ahead unmindful of the implications of these proposals and what they could do to the economy of this country and the pocketbooks of average Americans.

This amendment does not correct all of that, but it does moderate it to some degree. It says that paying down the national debt ought to be a priority; if not paying all of it down, pay some of it down. This should not be a Democratic idea or a Republican idea to reduce \$220 billion in interest payments each year.

Can anyone tell me when an economy has grown in this country when its infrastructure was collapsing? We cannot point to a single period in our history when our basic infrastructure was falling apart and our economy grew.

There is a relationship between interest payments on the debt and infrastructure. The reason I am combining these two in this amendment is because both are absolutely critical to economic growth. If debt is too big, either personally or nationally, then we will not be able to afford the things we need for our families or as a nation. If our infrastructure is collapsing and falling apart, our economy does not grow.

By reducing the tax cut for the most affluent Americans by a small amount, I do not eliminate the national debt, and I do not provide for all the infrastructure needs, but we do some of the things.

If my colleagues do not think this amendment has value, they can call their Governor, Democrat or Republican, and ask them whether or not they think infrastructure costs are serious in their respective States.

I am looking at some numbers from my State of Connecticut. Infrastructure facts: 58 percent of Connecticut schools have at least one inadequate building feature, 68 percent of the schools have at least one unsatisfactory environmental feature. Connecticut's drinking water infrastructure needs \$1.35 billion over the next 20 years.

Connecticut is a small State. There are 11 State-determined deficient dams in the State of Connecticut. Again, my colleagues can call their home States, and I am sure they will get similar numbers across the country about what is happening to the basic infrastructure of our Nation and our inability, as a result of what we are about to do with this tax cut, to pay for these costs.

By the way, when fully implemented, this tax cut is not \$1.35 trillion. It will cost \$4 trillion. I draw the attention of my colleagues to the lead editorial in the New York Times over the weekend about the cost of this tax bill we are about to adopt, and those exploding costs will kick in just as the baby boomers retire, and just as Social Security and Medicare will be placed under extraordinary new strains.

This amendment makes a commitment to debt reduction, and while I believe it is modest, it also seeks a commitment to that other important priority: our national infrastructure.

It is a well-known fact that our country's schools, our water, and wastewater systems, our telecommunications connections are in dire need of attention. Let me give some examples.

Nearly three-quarters of our schools are over 30 years old. The average age of our schools is 42 years. That means schools go back almost to the mid part of the last century. Fourteen million children attend school every day in

buildings that are unsafe. Fourteen million kids go to unsafe schools every day.

The American Society of Civil Engineers issued a report card on our Nation's school infrastructure and gave it a failing grade. Our water and wastewater systems need nearly \$23 billion more each year. Water and wastewater alone need \$23 billion a year for the next 20 years—there is nothing here for that; nothing—in order to replace aging and failing pipes and to meet the environmental and public health standards in the Clean Water and Safe Drinking Water Acts.

Federal contributions have dropped 75 percent in real terms since 1980. We used to be a better partner with our States and communities in picking up these costs. We have now left the scene, pretty much departed entirely. So while providing a tax cut on one level, who do we think is going to pick up the cost of these items at the local level since we do not contribute much anymore? Local property tax, local sales tax, and local income tax will go up. We will provide Americans with a few bucks here, but we will take the money out of another pocket at the State and local level because the Governors and mayors are going to have to pick up these costs because we are not doing it.

The Federal Government represents only about 10 percent of the total capital outlays for water and wastewater infrastructure. That is how much in 20 years we have declined in our participation. The architects of this bill would prefer we not pay anything. That is what they want. Clean water, obviously, affects the environment, public health, and the economy. Clean water supports a \$50 billion recreational industry, \$300 billion in coastal tourism, \$45 billion in annual commercial fishing, and a shellfishing industry.

And we all know the Internet has dramatically altered how we live, work, gathering information, and we are all aware of the increasing importance of being digitally connected. While access has increased for all groups, there still exists a gap, or digital divide, between those Americans with access to technology and those without. Race, income, education, age, and location are all factors related to the level of Internet connectivity.

As to the means to deploy this technology, once again, however, the infrastructure needed to extend access is lagging, desperately lagging in certain areas and among certain groups in this country.

By reducing this tax cut, decreasing modestly for the most affluent, we can make a difference on closing the digital divide to see to it that every child in America will have the opportunity to access this modern technology that they will need to be productive citizens.

Wastewater and telecommunications, are these not priorities issues as well? Don't they deserve the attention of

this body? As we are about to give a tax cut of this magnitude, can we not modify it even slightly to make a difference for the people who would benefit as a result of improved water, wastewater, telecommunications, and schools? Does that not make America richer and wealthier, more solid as a nation in the years to come?

Why crowd out everything here so that instead of the 75 percent we used to contribute to our local communities, we are down to 10, 9, 8, 5, and down to 1 percent?

Rural communities fall behind cities' and urban areas' broadband penetration, at only 7.3 percent for rural parts of America. This is not just cities we are talking about; rural communities suffer terribly.

Large gaps in Internet access still remain among ethnic groups. The Internet has become a necessity. It will become even more so in the years ahead. If we don't make investments in the basic infrastructure, we will rue the day, in my view.

The importance of our commitment to our Nation's infrastructure is highlighted by a recent visit I had with mayors from 60 of my cities. One mayor said it best when he said a cut in Federal taxes equals an increase in local taxes. Municipal governments are straining to find the resources for water treatment and school repairs. He asked, are we going to ignore what is happening in our communities for a huge tax cut for those who can afford it the most?

In the tax bill before the Senate, everyone gets tax relief. I am not changing that. I especially appreciate what the most affluent have done since 1993 in contributing to reducing our Nation's debt. They should get tax relief. I don't join those who say there ought to be no tax relief for affluent Americans. They contribute. I suspect were they here in this Chamber and asked the question of whether or not to reduce the national debt and invest in the infrastructure of America by taking a modest tax cut, most affluent Americans would say: Do it, do it.

The reason the wealthiest 1 percent of Americans pay more in taxes relative to other income groups is not that tax rates have increased, but rather that their before-tax incomes have increased by nearly 50 percent between 1992 and 1998 as a result of wise decisions we made to reduce debt and to increase opportunity in this country. At the same time their incomes have risen dramatically, the overall Federal tax burden has dropped substantially.

The bipartisan 1997 tax bill cut taxes on capital gains from investments, a major source of income for wealthy Americans. So the top 1 percent have seen a drop in their average overall tax rates. The top 400 wealthiest taxpayers, for instance, have seen a decrease in the average tax rates from 29 percent in 1993 to 22 percent in 1998—again, primarily as a result of the cut in the capital gains tax rates.

I reject the argument, further, that the affluent are ready to riot over their taxes. I think the affluent are responsible citizens. I think they will be the first to say they live in the most wonderful nation on the face of this planet. Many came from poor families and created their wealth through hard work and sweat, ingenuity, and smarts. They tell you what they hope more for this country than anything else is to see to it that others have a similar opportunity. I don't think they are about to riot. They want to see the country well managed, well run. They want to see its economic policies reflect the kind of society that gives people that opportunity. When schools are falling apart, with 42 percent of schools being built more than 30 or 40 years ago, when our water and wastewater systems are falling apart, when we have to write a check each year for \$220 billion in interest payments, affluent, responsible Americans would say, bring down that national debt and invest in the infrastructure of America. Yes, they will give you a tax cut, as well, in addition to what is being received in the cuts of the capital gains taxes.

I hope to adopt this amendment.

I mentioned earlier the estate tax. I don't disagree we need estate tax relief. But to eliminate it entirely? What that costs over 10 years of this bill is \$660 billion a year, for 49,000 Americans. That is who gets saved by this—the 49,000 most affluent Americans. The difference over 10 years is \$660 billion. Can we not just modify the estate tax, reduce the size of the tax cut by a very small amount, and make a huge difference in the national debt of the country and the infrastructure needs?

Mr. President, 49,000 Americans, 980 in my State alone—that is it—out of 3.5 million people who will benefit with the complete repeal of the estate tax. And we can't find the resources, we can't modify that to make the difference? In Connecticut, 980 people resulted in estate tax liability out of 3.5 million. I hope my colleagues will consider this amendment as a modest change in the proposal.

I add my friend and colleague from Nevada, Senator REID, as a cosponsor of this amendment.

This is modest change in the amount of tax rates for the most affluent, through modifying the estate tax repeal and investing those resources in bringing down that national debt and investing in the nontransportation infrastructure needs of America, is what this is about. We will not have the economy grow if the national debt goes climbing up again and if the infrastructure is falling apart. That is why I put these two issues together. In the absence of both of these, good infrastructure and reducing debt, both personally as well as nationally, it is hard to imagine how this economy will see a brighter day if we adopt this bill without these provisions added to it.

I withhold the remainder of my time.

The PRESIDING OFFICER. Without objection, the Senator is added as a cosponsor.

Mr. GRASSLEY. I yield myself such time as I consume.

Looking at the amendment being introduced, the purpose of it is to make changes in the bill to reflect changes in the rate of taxation, and particularly heavy emphasis upon change in the estate tax provisions, so that savings can be realized to be used for Federal debt reduction and improvement to the Nation's transportation infrastructure.

I know what the Senator's intent is: to save money so it can be used for the Nation's nontransportation infrastructure. But there is nothing in his amendment that directs the money in that direction. So when it is finally said and done as far as public policy is concerned, this amendment is just to change very dramatically the higher rate reduction that we have in the bill and to more or less decimate the estate tax provisions of our bill.

I have to confess I do not know what it is to be born rich and live rich. There seems to be a compulsion on the part of people in this body, for those who are born rich, live rich, and die rich, to want them to contribute more to the Federal Treasury than other people who do not fit into that category. There is an effort to nick those rich people for more money when they die.

I confess not to understand what it is to be born rich and live rich. So I do not come from the perspective that there is all this money out there that people are just willing to contribute to the Federal Treasury when they die. I do not understand the people who get a big joy out of taxing those people. But if they get a big joy out of it, OK. If they want to establish a category of people who are forever filthy rich and go after them, that might be all right.

But most of the people I think about when I talk about doing away with the death tax are people who have lived very moderately throughout their lives and come to a point, probably because they are involved in farms and small businesses and you are just forced to reinvest so much, put all of your earnings back into the business so you can grow and just be competitive. That is particularly true in farming.

If you started farming years ago with 80 acres and you are only farming 80 acres today, you aren't going to be successful unless you have a job in town. So you have to keep investing in machinery, be more productive, buy more land, et cetera. That is the sort of person I think of, one who has lived moderately and maybe dies fairly well off. The point is, when they live that way, they want to leave that business, those resources, to their kids. They do not want to be hit with a death tax after they have paid taxes all their lives.

I gave the example once before. And I am raising the issue of fairness of a death tax versus those who do not pay it. You have two people who can make exactly the same amount of money

throughout their lifetimes. Both of them obviously are going to pay income tax when they make it. But this person over here is going to live very moderately and miserly and maybe leave an estate of \$5 million. Then when he dies, his estate, because he lived in so miserly a manner, is going to pay a big reward to the Federal Treasury.

You have the other person over here living it up throughout his life, womanizing, drinking it up—you know, all the things that are dealt with in the material world—who does not leave a penny. This person gets taxed once when he makes it and spends it tomorrow. This person gets taxed when he makes it, saves it, and invests it in a business and wants to leave it to his kids, and then he is taxed again when he dies. What is fair about that?

Those are the people I am worried about. I am not worried about the filthy rich who are born rich, live rich, and die rich. So I have been a long-time advocate that no American family should be forced to pay up to 60 percent of their savings, their business, or their family farm in taxes when they die. No taxpayer should be visited by the undertaker and the tax collector at the same time.

We have now before us an opportunity to do something about that, to help those families that are being crushed under the expensive responsibilities of estate tax planning and estate taxes.

Let me suggest probably the money that is wasted in this country on estate tax planning is the biggest waste of the productive resources in this country that you can have. They are even worse than the estate tax, I believe. People who have worked hard, who are faced with the estate tax, who want to leave some money to their kids, just spend wasteful amounts of money on estate planning in order to legally avoid paying estate tax. Wouldn't it be better if those estate planners, those insurance salesmen, those lawyers, were doing something productive, contributing something to the economy as opposed to this nonproductive effort of estate planning?

When we do away with the estate tax, these folks will be able to do something productive.

There are those in the Senate who want you to believe we are spending \$145 billion for the benefit of just 45,000 people; that it is just 45,000 people paying estate tax. I want to tell the Senator from Connecticut I do not believe that is true. There may have been 45,000 estate tax returns that had checks attached. But that is no way to measure the impact on the American taxpayer.

In preparation for the RELIEF Act I had the opportunity to review 1999 Internal Revenue statistics regarding estate tax returns. Those statistics, frankly, were outrageous. In the Federal Government's attempt to enforce its version of social responsibility by

this huge tax rate of 55 to 60 percent on the estate tax, taken from the family's net wealth on the death of a loved one, it has cast a net. There is a net cast by that one involuntary action of death into thousands of homes in its attempt to capture a few so-called rich families.

In 1999, there were only 577 people who died in the United States with gross estates greater than \$20 million in value. But 104,000 families were affected by the estate tax requirements.

Let's get this straight: 577 people died with estates over \$20 million, but 104,000 families were affected by these estate tax requirements. In search of this supposed social justice, to take 55 percent of a family's lifetime efforts to contribute to the Treasury's general fund, we have upset lives in over 100,000 families. Is that truly a ratio with which we are willing to live? Is that fair? I cannot imagine supporting this amendment. Thousands of American taxpayers who deserve immediate estate tax reform are being cast aside by this amendment.

On the backs of the American taxpayers, the Senator from Connecticut has proposed funding nontransportation infrastructure. That is an interesting thought—nontransportation infrastructure. In order to achieve that goal, he is willing to wait until the year 2010 to increase the unified credit to just \$2 million.

That is 30 years from the last time it was increased, 1981. That \$2 million, 30 years later, would not even be worth what the unified credit was in 1981. That means for the first time, American taxpayers who are good Americans, who saved and invested in savings accounts and stocks and bonds, will be treated equally with all other taxpayers.

It means that for the first time American farm families and the owners of small businesses will not have to jump through hoops, hold their breath, and pray that they planned their estate just right, subject to audit, in order to get the full use of their unified credit.

In addition, Senator DODD gives no estate tax rate relief. The bipartisan RELIEF Act before us does. We immediately drop the top rate to 50 percent. In the year 2007, we reduce the top rate to 45 percent.

After all is said and done, people are going to be hit with the death tax at a higher rate of taxation than when they were living, which the top rate today is 39.8 percent.

So for the first time in history, an American family can exempt \$8 million from the death tax—that is in the bill before us—by the year 2007.

In this bipartisan RELIEF Act, we have chosen to treat all American taxpayers equally, and give a unified credit that everyone can use, unlike the proposed amendment by the Senator from Connecticut. In addition to stealing the American taxpayers' increase in the unified credit, offered in this amendment is a paltry increase in the complex qualified family-owned busi-

ness deduction. That would be increased by a mere \$75,000. And that would not happen until the year 2006.

I think all this flies in the face of the American taxpayer. This is an overwhelmingly complex additional deduction of \$75 which, quite frankly, turns out to be meaningless—in fact, so meaningless that I am ashamed I had a hand in writing this about 2 or 3 years ago when it was written. I would have to suggest to the Senator from Connecticut that if he would read again, as I have been forced to read, the Internal Revenue Code on these provisions, he would find that when you get through these complex provisions, if typed in its entirety, it is over 20 pages long, and it is full of requirements, restrictions, cross-references that boggle the minds of accountants and the legal profession and the American taxpayers.

I think we need to be honest with the American public and give them a true death tax break that everyone can use. This amendment will detract from that tremendously. I think our bill does a pretty good job of it, not as good of a job as I would like but within the context of a bipartisan compromise and within the context of the budget restrictions we are operating under, this is the best we can do.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I yield myself about 5 minutes.

The PRESIDING OFFICER. The Senator is recognized.

Mr. BAUCUS. Mr. President, I would like to address two arguments that have been made against the distributional benefits of this bill.

First, opponents of the bill have made the argument that it does little to alleviate the payroll tax burden, which is the largest tax burden for many middle- and low-income Americans. It is true that about 80 percent of Americans pay more in payroll taxes than they do in income taxes. It is also true that for about 20 percent of Americans their sole Federal tax liability burden is the payroll tax; it is not income tax.

The argument that is made is that this bill does nothing for those people whose principal Federal tax is the payroll tax. That argument is simply incorrect. In fact, the bill before us makes three important changes that directly offset the impact of payroll taxes so there are three measures in this bill which reduce payroll taxes for a significant number of Americans.

First, we amend the child credit to make it significantly more refundable; that is, after you have used up your child credit against your income taxes, if there is still more child credit available, we say: Americans, if you are in that situation, you get a check from Uncle Sam.

We also reduce the marriage penalty under the earned-income credit. It is a very important provision which makes the so-called marriage penalty much

less of a burden for low-income families. The Earned Income Tax Credit allows people with insufficient income tax liability to still get the benefit of a tax cut by allowing a credit against their payroll taxes.

Third, we simplify the earned-income tax credit. That is no small matter. Some people might argue that simplification does not have much effect. But I strongly disagree. This bill contains major simplifications to definitions and other provisions which will be a very significant aid to lower income people, allowing them to better utilize the earned-income tax credit. This means they will have more ability, again, to offset against payroll taxes.

Put all these together and the bill before us includes about \$109 billion in outlays over the 10-year period of this bill. In other words, about \$109 billion is directed exclusively for offsetting payroll taxes.

The second argument against this bill's distributional effects is also incorrect. This argument is that the tax cuts in the bill are regressive because they give a relatively larger cut to those at the very highest income levels. Specifically, it is argued that the bill gives the top 1 percent highest income taxpayers a whopping 33.5 percent of the tax cuts.

Let's look more closely at that argument and deal with all the cards on the table. The above conclusion can only be reached if you include the distributional effects of the estate tax provisions.

But there are two problems with that analysis. First, there is an ongoing dispute on how to distribute the impact of the estate taxes across income classes. This is because the estate tax is based on the size of the estate of the decedent there is no way to calculate the wealth of those who inherit the assets. In fact, the Joint Tax Committee does not do estate tax distributional tables for that exact reason.

There are organizations in this city and in this country that do make those calculations. I have no objection to their trying, but we must remember that these calculations are based on assumptions that are hard to pin down. They are doing as good a job as they can, but they are trying to calculate something that our official scorekeepers refuse to estimate. But even assuming that the downtown organizations that make that analysis are correct, let's think a little more about it.

Virtually all Senators in this body support either "reform" or repeal of the Federal estate tax. I believe it is almost impossible to support reform or repeal of the estate tax and then attack the distribution of tax benefits in the bill as regressive.

Why do I say that? Because if you set aside the estate tax provisions—just take them off the table and deal with everything else in this bill—if you look

only at the income and payroll tax effects, this bill is quite progressive compared with current law—not regressive, but progressive.

Let's take a look at the numbers. If we set aside the estate tax provisions what do we find? Let's look at the top 1 percent of taxpayers; that is, those with an annual income of \$373,000 or more.

This covers the top 1 percent of taxpayers in America. Under current law, those Americans pay 26 percent of all Federal taxes. That doesn't just cover income taxes, it includes all Federal taxes, including payroll taxes, excise taxes, and even estate taxes. But if you set aside the estate tax provisions in this bill, these taxpayers do not get 33.5 percent of the tax cuts, as alleged. Instead, they get 19 percent, only 19 percent of the benefits, even though they pay 26 percent of all Federal taxes. People with lower incomes get much more under this bill than they do compared to current law.

Let's take another look. According to the Joint Tax Committee, taxpayers with an income of \$200,000 or more, that is the top 4 or 5 percent of all taxpayers today, pay about 32 percent of all Federal taxes. Under our bill, these taxpayers get about 22.5 percent of the tax cuts, again, a smaller share of tax cuts than the share of taxes they pay under current law.

What is the point of all this? Basically I am saying that if you look at the whole bill, then this bill is very progressive with the exception of the estate tax provisions. That is, higher income people get a smaller proportion of the tax benefits when compared with current law and everybody below roughly \$100,000 will get a greater proportion of tax benefits when compared with current law.

As for the estate tax provisions, unfortunately, a number of my colleagues have been trying to have it both ways. They claim the bill is regressive, when its most regressive features are the estate tax provisions, but at the same time they push to have the unified credit go up to higher and higher numbers.

I have heard Senators on the floor who roundly criticized this bill privately say: Gee, MAX, can we raise the unified credit up to \$6, \$7, even \$10 million?

I don't think you can have it both ways.

Mr. DORGAN. Will the Senator from Montana yield for a question?

Mr. BAUCUS. Certainly.

Mr. DORGAN. Does the Senator from Montana support complete repeal of the estate tax?

Mr. BAUCUS. No, he does not.

Mr. DORGAN. The only point I make is, talking about this bill as progressive, by saying if you don't consider the estate tax, it is a progressive bill.

Mr. BAUCUS. If I may respond, by far most of the cost of the estate tax provisions in the bill, in the current 10 years which the bill covers, results

from raising the unified credit. Only a very small portion results from repeal of the estate tax. It is also important to recall this whole bill is sunsetted after 10 years. And so the claims of \$600, \$900 billion in the second 10 years are interesting, if you project current law out that far, but not particularly relevant since the bill terminates at the end of 2011 and all of its provisions will need to be reinstated.

Mr. DORGAN. If I might further inquire, I admit certain changes have occurred that have made this bill better for lower and middle-income groups more recently. But my guess is the Senator from Montana is not saying repeal of the estate tax is not in this bill, even though he says it is sunsetted. This bill repeals the estate tax in the last year; is that correct?

Mr. BAUCUS. The Senator is absolutely correct. Personally, I do not support full repeal of the estate tax. I support reforming the tax so it protects our family farms, ranches and other businesses. I understand the Senator is going to offer an amendment later today that will eliminate full repeal, while addressing the concerns of family businesses. I intend to support that amendment.

Mr. DORGAN. Further inquiring, I do intend to offer an amendment following the amendment offered by Senator KYL today. I might say that, while I support reform and have long supported reform of the estate tax, I do not support total repeal of the estate tax for reasons which I will describe later.

Mr. BAUCUS. Mr. President, because my time is limited I would like to get back to the point I was making originally about the distribution of this bill.

As this chart behind me shows, for taxpayers with incomes of \$25,000 or less, \$50,000 or less, \$75,000 or less, or \$100,000 or less, this bill, which is the red, shows that a greater proportion of tax reductions apply to those taxpayers. For those taxpayers with incomes of \$100,000 to \$200,000 or taxpayers with incomes above \$200,000, again, the red shows they receive less in tax benefits compared with the administration's plan—again showing that this bill is progressive. That is, compared with current law and compared with the Bush plan, this bill does give more tax reductions percentage-wise to people with incomes under \$100,000, and those at \$100,000 or more will get less in tax reductions than the Bush plan or current law. It does show that this is a progressive bill.

I yield the floor.

Mr. DODD. Mr. President, may I inquire how much time remains?

The PRESIDING OFFICER. The Senator from Connecticut has 3 minutes 25 seconds remaining; the managers, 1 minute 41 seconds.

Mr. DODD. In the 3 minutes, I want to make a couple of corrections to some of the statements made about the estate tax.

First, I will tell the Senate exactly how many people paid the estate tax liability: 49,870 people had, in 1999, Federal estate tax liability. That is 2 percent of the adult deaths in the country. When it comes to family farms, the New York Times recently reported that an Iowa State University economist had not been able to find a single documented example, not a single documented example of a family farm lost to the estate tax. Nor could the American Farm Bureau Federation find one example, not one. So when I hear these nostalgic, mythical arguments about the family farm losing out to the estate tax, that is what it is. It is mythology, unless you are the King Ranch in Texas maybe.

The idea that small family farms lose is just not borne out by the statistics or facts. The fact is, there is a significant revenue loss. My colleagues may not want to talk about it, but this bill also backloads the estate tax. It doesn't become fully effective until 2011. This hides the true cost of estate tax repeal.

If you want to vote for \$662 billion in tax breaks for 49,000 people, then vote against the amendment. But then you explain that the next time we try to fix the water system or a sewer system or repair a school or reduce the national debt. The family farmer suffered? Name one. The Farm Bureau couldn't name one. The New York Times couldn't find one. Iowa State University couldn't find one.

This is a joke that is going on here. It is ridiculous. Listen to some of the most affluent Americans. Listen to George Soros, who talked about the estate tax and how ridiculous this is. Listen to Warren Buffett, Bill Gates, John Kluge, they will tell you this is a myth, that it is ridiculous talking about death taxes, \$662 billion over 10 years. That is real money. That is money that could make a difference in paying down the debt, in investing in the infrastructure of America.

By taking the top rate down, instead of to 36 percent but to 38 percent, is that really an outrageous request to make for a modest investment in a downpayment on reducing the national debt and investing in the nontransportation infrastructure of America? I don't think so, Bill Gates doesn't think so, George Soros doesn't think so, Warren Buffett doesn't think so, John Kluge doesn't think so.

I hope the amendment will be adopted. Maybe we will have a little more balance in this bill. But repealing the estate tax to affect a fraction of the population in this country, some of the most affluent people in the land—to their credit, some of the most affluent people think this is wrong.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

At the moment, there is not a sufficient second.

The Senator from Arizona.

Mr. KYL. Might I, on behalf of the Republican majority, pose a question to the Chair?

The PRESIDING OFFICER. The Senator will state it.

Mr. KYL. Mr. President, how much time does the chairman of the committee, the Senator from Iowa, have remaining on the Republican side?

The PRESIDING OFFICER. A minute and a half.

Mr. KYL. Might I be recognized to take that time in response to the Senator from Connecticut?

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. KYL. Then I will be happy to have a rollcall at that point.

This is a very deceptive amendment. There is absolutely nothing in this amendment that calls for any money to be spent on paying down the national debt or applying any money to the infrastructure of the United States. Only in the title does the amendment say that the purpose is to allow money to be spent for this. It says "may be used" for Federal debt reduction and improvements to the Nation's infrastructure. What it does is repeal almost all of the benefits in this bill relating to the repeal and reform of the estate tax and takes away all but 1 percent of the top marginal rate reduction called for in the bill.

When the Senator from Connecticut claims that the repeal of the estate tax in this bill is going to cost \$662 billion, he is absolutely, totally wrong. According to Joint Tax, the cost of the estate tax repeal and reform measures in this bill is \$145 billion, period, not \$662 billion. Moreover, it is a fallacy to say that few will benefit. While it is true that relatively few estates pay the tax, hundreds of thousands of people will benefit by the reforms in the estate tax that are included in this legislation: The rate reductions; the increase in the amount of unified credit; and, in the 10th year, the repeal of the tax.

Mr. DODD. Will my colleague yield?

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. DODD. I ask unanimous consent for 30 seconds.

The PRESIDING OFFICER. Is there objection?

Mr. KYL. Mr. President, I will be happy to take 30 seconds when he is done, and I will not object.

Mr. DODD. Mr. President, the Joint Committee on Taxation estimated that the House version, H.R. 8, would cost \$186 billion between 2002 and 2011, less than one-third of the 10-year cost they estimated for immediate repeal, \$662 billion—the Joint Committee on Taxation.

Mr. KYL. That is right. The immediate repeal—that was my original bill—would cost \$662 billion. But we are not immediately repealing. The Senator should consult the bill. The estate tax is not eliminated until the 10th and final year. That elimination is \$30 billion of the \$145 billion of the total cost of reforming and finally repealing the

estate tax. It is not repealed in the first year, not until the 10th year.

The PRESIDING OFFICER. All time has expired.

Mr. DODD. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Arizona.

AMENDMENT NO. 691

Mr. KYL. Mr. President, I send amendment No. 691 to the desk. It is the tuition scholarship tax credit.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Arizona [Mr. KYL] proposes an amendment numbered 691.

Mr. KYL. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to allow a credit against income tax for contributions to charitable organizations which provide scholarships for children to attend elementary and secondary schools)

At the end of subtitle D of title IV, add the following:

**SEC. —. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.**

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

**"SEC. 30B. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE SCHOLARSHIPS FOR STUDENTS ATTENDING ELEMENTARY AND SECONDARY SCHOOLS.**

"(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the qualified charitable contributions of the taxpayer for the taxable year.

"(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed \$250 (\$500, in the case of a joint return).

"(c) QUALIFIED CHARITABLE CONTRIBUTION.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified charitable contribution' means, with respect to any taxable year, the amount allowable as a deduction under section 170 (determined without regard to subsection (d)(1)) for cash contributions to a school tuition organization.

"(2) SCHOOL TUITION ORGANIZATION.—

"(A) IN GENERAL.—The term 'school tuition organization' means any organization described in section 170(c)(2) if the annual disbursements of the organization for elementary and secondary school scholarships are normally not less than 90 percent of the sum of such organization's annual gross income and contributions and gifts.

"(B) ELEMENTARY AND SECONDARY SCHOOL SCHOLARSHIP.—The term 'elementary and secondary school scholarship' means any scholarship excludable from gross income under section 117 for expenses related to education at or below the 12th grade.

"(d) SPECIAL RULES.—

"(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any contribution for which credit is allowed under this section.

"(2) APPLICATION WITH OTHER CREDITS.—The credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(A) the regular tax for the taxable year, reduced by the sum of the credits allowable under subpart A and the preceding sections of this subpart, over

"(B) the tentative minimum tax for the taxable year.

"(3) CONTROLLED GROUPS.—All persons who are treated as one employer under subsection (a) or (b) of section 52 shall be treated as 1 taxpayer for purposes of this section.

"(e) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year."

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 30B. Credit for contributions to charitable organizations which provide scholarships for students attending elementary and secondary schools."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

Mr. KYL. Mr. President, I am offering this amendment because I believe our Tax Code must and can be reformed to address the urgent need to improve elementary and secondary education in our country.

This tax bill takes a very important first step by allowing the Coverdell education IRAs to be used not only to facilitate savings for college education but for grades K through 12 as well.

Many of us since 1997 have worked very hard to secure this reform. I am gratified that it will finally be accomplished. For that, by the way, special credit is due to my late colleague, Senator Paul Coverdell, as well as Senators TORRICELLI and HUTCHINSON of Arkansas, whom I am pleased to have as cosponsors of this amendment.

While the administration of our schools is and should remain a local responsibility, we have a compelling national interest in improving the quality of K through 12 education. There are ways to do it without adding to the bureaucracy in Washington and without adding new mandates. It is a fact that America is currently not educating the workforce it needs for the economy of the 21st century. Raising overall achievement will enhance America's competitiveness.

Congress has been compelled to authorize the issuance of hundreds of thousands of new visas for highly skilled temporary workers because it is a fact that not enough qualified American workers were available to fill new economy jobs. Unless we take action, this situation is unlikely to change. It is a fact that international tests reveal that American high school seniors rank 19th out of 21 industrialized nations in mathematics achievement and 16th out of 21 nations in science achievement.

Ironically, this threat to our competitiveness is the result of our failure to apply the very principles undergirding our economy's success in the area of education. Our Nation has thrived because our leading industries and institutions have been challenged by constant pressure to improve and to innovate. The source of that pressure is vigorous competition among producers of a service or a good for the allegiance of their potential customers or consumers. So why not promote innovation by producers and choice for consumers in the field of education?

The quasi-monopoly of public education today discourages this innovation, and the fact that funding is through tax dollars diminishes the choice option for all but the most wealthy. They have to go to schools where they are told. They can't direct their tax dollars to the school where they want to send their children.

We must find a way to promote innovation and opportunity through greater choice for parents. Those are the concepts that have built this country through our great free market economic system, and it is the same concept that can improve our educational system for the competition that I spoke of earlier.

Another problem with our education system is that too many of our children are literally being left behind. Thirty-seven percent of American fourth graders' tests show that they are essentially unable to read. For Hispanic fourth graders, the proportion is 58 percent, and for African-American fourth graders, it is 63 percent. That is intolerable.

Since 1983, over 10 million Americans have reached the 12th grade without having to learn how to read at a basic level. Over 20 million have reached their senior year unable to do basic mathematics.

As President Bush has repeatedly noted, far too many of America's most disadvantaged youngsters pass through public schools without receiving an adequate education. It is intolerable that millions of children are trapped in unsafe and failing schools.

Parents should have a right in the United States of America to get the best education possible for their children as they see it, and the amendment I offer today will help secure that right.

My amendment would provide a \$250 tax credit, \$500 for joint filers, to partially offset the cost of donations to tuition scholarship organizations. What are those? They are organizations that in the past have been primarily founded by business leaders that provide partial tuition scholarships to enable needy youngsters to attend a school of their family's choosing.

The idea first came to light about a decade ago when the first one was founded in Indianapolis. Now there are more than 80 such programs serving more than 50,000 students nationwide.

For families who benefit, these programs are a godsend. A study that was just released by the Kennedy School of Government found that 68 percent of parents awarded scholarships are very satisfied with academics at their child's school compared with only 23 percent of parents not awarded scholarships.

The problem is that demand for scholarships far outstrips supply, even though families must agree to contribute a significant portion of the total cost of tuition. The interesting thing is, that is especially the case at the lower end of the economic ladder.

For example, in 1997, 1,000 partial tuition scholarships were offered to families in the District of Columbia. Nearly 8,000 applications were received, many of them from very low income families.

Another example: In 1999, 1.5 million people applied for 40,000 scholarships in a national lottery. Clearly, there is a huge unmet demand for this kind of assistance.

In 1997, Arizona implemented an innovative plan to meet that demand in our State: A \$500 tax credit to offset donations to organizations that provide tuition scholarships to elementary and secondary students. The results: Upwards of \$40 million in donations to tuition scholarship organizations.

The number of school tuition organizations operating in my State of Arizona is up from 2 to 33, and the organizations have a very wide range of emphasis and orientations. For example, they range from the Jewish Community Day School Scholarship Fund to the Fund for Native Scholarship Enrichment and Resources to the Foundation for Montessori Scholarships.

Nearly 15,000 Arizona students, nearly all of them from disadvantaged backgrounds, have received this scholarship assistance.

The interesting thing is while some have charged that the law was unconstitutional, particularly given the explicit prohibition on direct aid to parochial schools in Arizona's constitution, our State supreme court recognized that allowing taxpayers to use their own money to support education is a different matter and upheld the program. And consistent with previous holdings on the subject, the U.S. Supreme Court declined to review the decision.

We have the answer to those who fear that Federal dollars going to vouchers which students would then take to the school of their choice could possibly be unconstitutional, though I do not think that is the case. But we have an answer to that concern.

Here you do not have Federal dollars being given to students in the form of vouchers which are then taken to the school of their choice. Instead, what we provide is that if people want to contribute money to a duly qualifying scholarship fund, that scholarship fund can then give that scholarship to needy students and those students can take that scholarship to whatever school in which they want to be educated.

The people who originally donate to the scholarship fund will be granted a tax credit by the U.S. Government. That is constitutional. It does not violate any notion of separation of church and state, and yet it permits people to help those who need the help the most to have the flexibility that only the most wealthy in our society have today: the ability to take their kids to the school of their choice.

It is a much better way to resolve this problem of choice and innovation than, frankly, anybody has come up with to date because it meets the constitutional challenges; it involves the private sector; it involves personal donations; it does not have the Federal Government having to fund a large voucher program. Yet it gets the benefits to the students who need it the most, who are willing to contribute part of their own income to match that scholarship and pay the tuition at the school of their choice, be it a public school, a public charter school, a private school, a parochial school—it does not matter.

In many cases, this money could even be used to pay the public school when one is able to transfer from one public school to another. It is neutral in this regard, as to whether it is used at public or nonpublic schools, and, as I said, it could even be used to offset tuition costs both at private schools and to help enroll a child in a school across a district boundary. This, in effect, creates a Federal credit comparable to those upheld in Arizona and to recently enacted provisions in other States, such as Pennsylvania and Florida, of which I am aware.

It is interesting; the Joint Committee on Taxation has estimated this credit could cost the Federal Treasury \$43.4 billion over a 10-year period. Think what a magnitude of difference that money would make in the lives of our children: \$43 billion would finance 12.4 million \$3,500 scholarships. Think of the opportunity provided to those 12.4 million students with a \$3,500 scholarship to take them out of the condition of education they are in now, out of the failing school, out of the unsafe school, and to a school where they can achieve, where they can learn, where they can be competitive, where they can learn their full potential.

I close with this point. I have said many times that if we can get education right, almost everything else in this country will follow. Probably all of my 99 colleagues would agree with that general proposition. If we can get education in this country right, everything else follows. By "we," I do not just mean the Federal Government. In fact, I mean primarily the parents and local school folks.

First, it will help people realize their full potential.

Second, it will make them more qualified to compete for the kinds of jobs that are going to exist in the future.

Third, it will help our Nation compete. We are going to need to compete in a world environment.

Fourth, it is going to make us more secure because we are going to have the kind of young students who can invent the things that are going to help us keep our technological edge when it comes to national security.

Fifth, it is going to make us better citizens.

I have been somewhat appalled at what some of our schools do not teach about the history of this great country of ours, about the foundation for the self-governance we have, about the need for people, especially young people, to participate in our democratic Republic. I fear that generations of Americans are growing up not being taught the fundamentals of our society, our Government, and our free-market system that we were taught, and I think fairly well. People such as the Presiding Officer have helped to create wealth to create jobs, to help turn this country into the great economic engine it is. People in public life have also helped Americans realize the stake they have in self-governing.

If we go a couple generations without teaching our children accurately and adequately in subjects from math and reading to history to government to economics and all the other subjects that students in this complex world have to master, then we are not going to progress as a nation and be the leading superpower and the leader of the world we are today, not just in economic terms but in terms of human rights, democratic principles, and other societal values, as well as the technological values I spoke of earlier.

If we get education right, we can flourish in all of these areas, and if we stay 19 out of 21 on these tests, then Americans are not going to be as well educated and we will be overtaken by other nations.

Is it all bad we would be "overtaken"? Not necessarily, if other nations are putting their productive capabilities into the same things the United States has, but we have never won a war without turning over to the vanquished the territory we took.

We have led the world in foreign aid and assistance. We have led the world in our insistence on human rights. In other words, America stands for what is good on this Earth, and for us to continue to be the leader of the world to promote these values requires an educated citizenry, a citizenry that will be educated and committed to these ideals, to these propositions.

We cannot sustain that kind of education with the system we have today. The scholarship tuition credits I am proposing with this amendment will enable parents to allow their children to be educated in the very best schools for those students and to enable them to escape the kind of system we have today to one where each child can grow to their full potential. We must demand nothing less of our system.

The final point is, if children are able to take scholarship tuition money to the school of their choice, the school from which they left will have a much greater incentive to improve than is the case today. We are talking about improvement of all schools, not just a few.

This is an idea whose time has come, an idea we can support through a tax credit, through this bill before the Senate today. I hope even though there may not be adequate support for this when we vote on it tonight because of the opening of the debate on the subject, we will be able to promote this idea in ways that will enable it to bear fruit in the days and weeks to come. This is an amendment Congress needs to pass. It is a tax credit the Federal Government needs to provide for an educational benefit that the children of the country need to have.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself 1 minute.

I appreciate the Senator's amendment. He seeks to help encourage charitable giving for scholarships, a very worthy cause. Obviously, it is an idea that deserves to be debated and to be looked at carefully. Unfortunately, it falls outside the scope of the RELIEF act. I hope the Senator and I can work to have the Finance Committee consider a charitable bill down the road.

Before I close, I thank the Senator for his good work on the Senate Finance Committee. He is a new member of the committee. The committee has greatly benefited from his energy and ideas. The people of Arizona are fortunate to have his service on the Finance Committee.

I yield the floor.

Mr. BAUCUS. Mr. President, I yield to my good friend from New Mexico.

Mr. BINGAMAN. I speak in opposition to the amendment very briefly. The amendment of the Senator from Arizona is essentially a somewhat indirect way to provide Federal funding for private schools and parochial schools. That is exactly what is involved. It is a tax credit of \$250 or up to \$500 per couple which is available to any taxpayer who wants to contribute to one of these organizations that provide scholarships to people who go to schools and charge tuition. The schools that charge tuition are the private schools in this country, the parochial schools. Many of them do an excellent job. Clearly, they contribute a tremendous amount to our country.

We do not have the votes in the Senate, and I do not support direct appropriations to private and parochial schools. That has not been the tradition in our country. It is generally considered contrary to our Constitution. The Government has stayed out of the business of funding the private elementary and secondary schools. What we are saying is we will not appropriate money directly to those schools, but we will give each taxpayer a \$250 credit

if they will give that \$250 to the private school. That, to me, seems to be a pretty direct way of providing Federal support for private and parochial schools.

Private and parochial schools do a tremendous job in educating young people. I support the continuation and the success of our private and parochial schools in the country. We have many in my home State that do an excellent job. But we have a limited amount of Federal tax dollars that we can commit to education. We have had many votes in the Senate and we will have more tonight that try to ensure that adequate money is available for public education in the country. I think while all Members generally agree we are not providing enough funds for public education, it would be foolhardy, at the same time we cannot afford to provide what we want for public education, to turn around and say, OK, we will not appropriate it directly to private education, but we will give this tax credit to anyone who wants to contribute.

It is a dollar-for-dollar tax credit, not something where the Federal Government pays part of what someone contributes to the private school. This is a tax credit where the Federal Government pays every single dollar that a person or couple contributes to the private school, up to \$500 in the case of a couple. It is a very expensive proposal; \$43 billion is the estimate from the Joint Tax Committee. That is an expensive commitment of funds. Frankly, it is one I would be willing to make if the money was going to the public school system to strengthen our public schools. I think that would be a good investment of our dollars. I do not think it is smart when we are unable to make that commitment of an additional \$43 billion to the public schools to be turning around and saying we will go ahead and commit that amount of Federal expenditure for the private schools in this indirect way.

I hope my colleagues will see this is not good policy. This is not the way in which to proceed. This is something which has some meritorious motives behind it, but clearly we should be doing all we can to strengthen our public school system. This is a way of essentially taking resources that might otherwise be available for the public schools and diverting them into the private schools which I think would be a mistake at this time in our history.

Mr. GRASSLEY. For Senator KYL, Mr. President, we will yield back his remaining time.

Mr. BAUCUS. The same is true for our side. We yield back the remainder of our time.

The PRESIDING OFFICER (Mr. CORZINE). All time is now yielded back.

AMENDMENT NO. 713

Mr. DORGAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:



The Senator from North Dakota [Mr. DORGAN], proposes an amendment numbered 713.

Mr. DORGAN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: Replacing the estate tax repeal with a phased-in increase in the exemption amount to \$4,000,000, an unlimited qualified family-owned business exclusion beginning in 2003, and a reduction in the top rate to 45 percent)

On page 63, beginning with line 4, strike all through page 70, line 20, and insert:

**Subtitle A—Reductions of Estate and Gift Tax Rates**

**SEC. 501. REDUCTIONS OF ESTATE AND GIFT TAX RATES.**

(a) MAXIMUM RATE OF TAX REDUCED.—

(1) REDUCTION TO 53%.—The table contained in section 2001(c)(1) is amended by striking the highest bracket and inserting the following:

“Over \$2,500,000 ..... \$1,025,800, plus 53% of the excess over \$2,500,000.”.

(2) REDUCTION TO 47%.—The table contained in section 2001(c)(1), as amended by paragraph (1), is amended by striking the two highest brackets and inserting the following:

“Over \$2,000,000 ..... \$780,800, plus 47% of the excess over \$2,000,000.”.

(3) REDUCTION TO 45%.—The table contained in section 2001(c)(1), as amended by paragraphs (1) and (2), is amended by striking the two highest brackets and inserting the following:

“Over \$1,500,000 ..... \$555,800, plus 45% of the excess over \$1,500,000.”.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (a)(2).—The amendment made by subsection (a)(2) shall apply to estates of decedents dying, and gifts made, after December 31, 2005.

(3) SUBSECTION (a)(3).—The amendments made by subsection (a)(3) shall apply to estates of decedents dying, and gifts made, after December 31, 2009.

**Subtitle B—Increase in Exemption Amounts**  
**SEC. 511. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT AND LIFETIME GIFTS EXEMPTION.**

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended by striking the table and inserting the following new table:

<b>“In the case of estates of decedents dying during:</b>	<b>The applicable exclusion amount is:</b>
2002 through 2006 .....	\$1,000,000
2007 and 2008 .....	\$1,250,000
2009 and 2010 .....	\$1,500,000
2011 and thereafter ...	\$4,000,000.”.

(b) LIFETIME GIFT EXEMPTION INCREASED TO \$1,000,000.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax) is amended by inserting “(determined as if the applicable exclusion amount were \$1,000,000)” after “calendar year”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

**SEC. 512. UNLIMITED QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION.**

(a) IN GENERAL.—Section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(a) GENERAL RULE.—For purposes of the tax imposed by section 2001, in the case of an estate of a decedent to which this section applies, the value of the taxable estate shall be determined by deducting from the value of the gross estate the adjusted value of the qualified family-owned business interests of the decedent which are described in subsection (b)(2).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2002.

On page 79, beginning with line 7, strike all through page 106, line 6.

Mr. DORGAN. Mr. President, let me describe briefly what this amendment does. This is amendment deals with the estate tax. I have listened intensely to the debate on the floor of the Senate. Much of the debate on the estate tax has been about Senators' concerns with family farms and small businesses and with parents not being able to pass on those enterprises to their children to operate.

I, too, am concerned about this issue and believe that the estate tax should not interrupt the transfer of a family business to qualified descendants who want to continue to operate the business. We should not do that. A Main Street business in Ames, IA; or Butte, MT; or Regent, ND; ought not suffer the death of an owner and then a crippling estate tax obligation that prevents the owner's children from being able to continue to run that business. We don't want the surviving children of that family business to inherit both the business and a crippling estate tax debt.

I understand that problem. And I believe we should do something about it. That's why my legislation would exempt from the estate tax family-owned businesses that are passed on to qualified heirs who continue to operate those businesses. My amendment would do that by the year 2003. If the family enterprise is passed on to the qualified heir or lineal descendant, and it continues to be operated as outlined in my legislation, it will be totally exempt from the estate tax. So the next time I hear senators stand up and say that this is their goal, I will say, if this is your goal, then vote for my amendment because the estate tax proposal now on the floor of the Senate doesn't do this until a long time down the road.

My proposal exempts all family-owned and operated businesses and farms that are passed on to the next generation by 2003. End of discussion. It is done and done far more quickly than by the bill now being considered by the Senate.

My legislation also includes a \$4 million unified estate tax credit that will be available to everyone in 10 years, or \$8 million for a husband and wife. With respect to the estate tax, what I am saying is: Yes, let's agree that we will exempt family businesses and family farms. Yes, let's agree that we will increase the unified credit in the estate tax.

The only question that remains then is: Should we completely repeal the estate tax? My answer is no. Should we repeal the estate tax for those whose estates are worth more than \$8 million? My answer is no. Here's why.

I have heard lots of discussion today about the so-called death tax. And all of us know—we have read the news stories—that the term “death tax” was concocted by a pollster. They used focus groups and found that their purposes were better served by calling this the death tax, not the estate tax. But, of course, dead people do not pay taxes. We know that. Wealthy heirs pay taxes. Trust fund babies pay taxes.

The ancient Egyptians thought you could take it with you when you died. There are some demonstrations of that when they discover and open their tombs these days. Has anyone here ever seen a hearse pulling a U-Haul trailer? I don't think so. You can't take it with you, and we don't tax death. If we do, I would like my friend from Iowa and others to describe to me how a dead person shows up at the tax office to pay that obligation.

Dead people are not paying taxes. Estates pay taxes, which means the wealthy heirs get less and the trust fund babies get less.

It seems to me, that if the point is you can either have a tax incident in death or life, and you decide not to tax death—if I accept that moniker for a moment—then what is left? Then you tax life. What you're saying is: Don't tax unearned income that flows to a benefactor through someone else's death. Rather, to pay for defense and all the other priorities in the country, tax the income earned by people that go to work every day. Is that a choice that makes much sense? Not to me it isn't.

There are those who want to repeal the estate tax in its entirety, but they have sold this repeal as a means of alleviating the problems of family farms and family businesses. They should disabuse themselves of that notion. I say let's repeal the estate tax for the transfer of family farms and family businesses. So that that problem is solved. And my amendment does that almost immediately, and much more quickly than in the underlying bill.

Once that is out of the way, the question is: What is left over? Those who say we must completely repeal the estate tax, even above \$8 million for a husband and wife, say it is a horrible thing to tax unearned wealth or large inheritances.

If it is such a terrible thing to tax unearned wealth, than what should we tax? Should we have a tax system that promotes opportunities for all? Or should we have a tax system that protects the privileges of a very few? A substantial portion of the estate taxes actually paid are on estates that have never been taxed. Close to 70 percent of their value has never been taxed.

I understand that there are some who feel very strongly there should never

have been or even be an estate tax. Let me just make a couple of comments about that position.

Without the estate tax, it seems to me, you would have a world with an aristocracy of the wealthy, which means the ability to command resources would be based on heredity rather than merit. Some think that is all right. But let me quote Mr. Martin Rothenberg, President of Glottal Enterprises. He said it quite well, I think, as a business owner. He said:

My wealth is not only a product of my own hard work. It also resulted from a strong economy and lots of public investment in me and others. My success has allowed me to provide well for my family, and upon my death. I hope taxes on my estate will help fund the kind of programs that benefitted me and others from humble backgrounds—a good education, money for research and targeted investment in poor communities—to help bring opportunity to all Americans.

Some would say they do not agree with that. That this is not what this is all about. But it seems to me that we ought to make some choices here. When we talk about repealing the estate tax and we describe it as a death tax, it is critically important to understand that what we are about to do is antithetical to good tax policy. We ought to, in my judgment, protect the transfer of family businesses from one generation to another by exempting them from the estate tax. I agree with that.

My amendment is the only legislation you will vote on that will do that almost immediately, in 2003. And if you do not vote for this amendment, 6 months or 1 year from now, or 2 years from now, do not come to the floor of the Senate with Kleenex, dabbing tears, talking about how difficult it is to transfer family businesses and family farms to heirs because you voted against the amendment that would have made it possible for them to not have to pay any estate tax at all.

This country has about one-half of the world's billionaires, or about 309 billionaires in 1999. The wealthiest 400 Americans had \$1.2 trillion in estates. And I say good for them. This country is a country in which you can do well, where opportunity exists. This country has created opportunities in which those who work hard and are fortunate can do very well. I would not want to live in a different kind of country. I want those opportunities to be available for all Americans.

But I also believe, when we look at who is going to pay the bills in this country—and, incidentally, everyone in the Senate has spending priorities. This isn't a case of anyone not having them because everyone here has spending priorities. The most conservative Member of the Senate who rails against Federal spending is likely going to be out here saying we need much more money for defense spending. Do you buy bombers or milk? Do you buy military equipment or food for the hungry? Everybody here has their spending priorities—everybody.

The question is: How do you tax to pay for those spending priorities?

My colleague says that the estate tax ought to be completely repealed. Again, using the moniker "death tax," which is a pollster's creation to describe this tax in some pejorative way, what I say is this: My amendment says that the only estate tax that will be left in this country is one for those whose estates are \$8 million and above.

I also in my amendment propose reducing the estate tax rate, increasing the unified credit as I indicated, and totally repealing the estate tax for the transfer of family businesses to qualified heirs who continue to operate those businesses. The only estate taxes that are left then are for those whose assets are \$8 million and above.

One can say: My priority is to come to the floor of the Senate and protect those folks from the hand of taxation, even though almost two-thirds of that money has never been taxed. That's right, two-thirds of the asset base from those estates will never, ever have been taxed. One might come to the floor and say: My mission in life is to support those estates, those above \$8 million—not those who have a family business—but those worth more than \$8 million.

Everybody has a right to stand on whose side they want to stand on. But it seems to me that the reasonable thing to do is: If someone dies with \$6 or \$8 billion in assets, to have a substantial exemption at the bottom, which my amendment will do, and then say to them, that the unearned income that is going to your heirs will be diminished some, by an estate tax, that will go into the hands of those who will redirect it to strengthen our school systems in this country, to invest in research and development, to invest in technology, and to make this a better country.

There are others who say that is not a priority at all. So be it. I happen to think it is a priority. I think if you were to rank priorities with respect to the Tax Code, you should start right at the bottom, with those people who show up for work and make the minimum wage, with those who struggle at the bottom of the economic ladder to try to make ends meet. They are struggling mightily to figure out how to pay their bills, making just the minimum wage.

There are not a lot of folks in the hallways here worrying about those folks today. You bet your life there are not. There are not a lot of lobbyists worrying about the economic interests of those folks at the bottom of the economic ladder. But you can bet your life there a lot of folks around this building that have invested a great deal of time looking after the interests of those who have \$10 million, \$50 million, \$1 billion, or \$10 billion, and who want to avoid having to pay an estate tax.

Before I conclude, I again say that I hope I will not hear somebody stand up and say that the case for repealing the estate tax is to stop the interruption of

the transfer of small businesses or family farms, because my legislation repeals the estate tax for all of those transactions. When you are going to transfer a farm or a business from one generation to another, and the heirs are going to continue to operate it, my amendment is the only proposal that repeals that tax in this circumstance by 2003. It is the only.

So you can no longer sell the proposition of repealing the estate tax for the largest estates in the country by putting it on the backs of family farms and family businesses. This is the only proposal that will repeal it and will stop the interruption of the transfer of a family farm or business to qualified heirs.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I probably should spend most of my time speaking against the amendment of the Senator from North Dakota, but I have already spoken today on why I think the estate tax provisions in this bill ought to be maintained.

AMENDMENT NO. 674

I want to use my time to speak at this point on the first or, I guess now, the second amendment that is going to be up for a vote at 6 o'clock, the Carnahan-Daschle amendment.

I want my colleagues to understand exactly what this amendment does because I think it is one of the toughest amendments and one that may have one of the closest votes today.

This amendment by Senator CARNAHAN guts the tax relief for individual taxpayers by \$87 billion. In effect, it increases taxes on families and working people by \$87 billion by denying them the tax cuts contained in our bipartisan tax bill.

Here is how the amendment works.

First, this amendment not only delays the reduction of the marginal tax rates; it provides for only a 1-point reduction in the marginal tax rates over a period of years compared to the 3-point reduction in the bipartisan plan Senator BAUCUS and I have put together.

This 1-point reduction equals the rate relief that our bipartisan tax plan provides in the first year alone. Our plan's additional tax cuts would be eliminated entirely under the Carnahan-Daschle amendment.

I have a chart here that demonstrates this better. Their amendment allows only a 1-percent rate cut, which our bill implements next year. But Senator CARNAHAN's amendment delays the rate cuts over 5 years. As you can see from the bottom part of this chart, 1 point each year, but with a different rate each year so that it takes 5 years.

The Carnahan-Daschle amendment would entirely eliminate the bipartisan bill's tax cuts for the years 2005 and 2007.

Our plan reduces the 28-percent rate to 25 percent over 6 years. Our amendment reduces the rate by 1 percentage point to 27 percent next year.

Two years from now, the Carnahan-Daschle amendment would reduce the 28-percent rate to 27 percent but would entirely stop there—no more tax cuts after that point for the 28-percent taxpayers.

Who is a 28-percent taxpayer? It would include any family with taxable income over \$45,200. Those families get the shaft under the Carnahan-Daschle amendment.

Our plan also would reduce the 31-percent rate to a 28-percent rate over 6 years, and would do it immediately 1 point next year.

Three years from now, the Carnahan-Daschle amendment would reduce the 31 percent to 30 percent, but stop right there—no more tax cuts then for the 31-percent taxpayer.

You can see from this chart, it is the same story over and over again.

The Carnahan-Daschle amendment takes just the first year of tax cuts from our bipartisan bill and spreads them out over 5 years. And, of course, that is their idea of tax relief for American working men and women.

How do they justify this? How do they justify taking away \$87 billion of tax relief from individual taxpayers? They rationalize it by reducing the 15-percent rate to 14 percent; that is all. They claim a 1-percent reduction of one bracket justifies denying a 2-point further reduction in all other brackets.

Senators CARNAHAN and DASCHLE claim this 14-percent rate puts more benefit to middle-income taxpayers. I doubt that. I will show you with a little bit of math how there is reason to doubt that.

I would like to go back to the 28-percent taxpayer family; that is, any family with taxable income over \$45,200. Senator BAUCUS has noted that 75 percent of the benefits under the new 10-percent rate bracket in our bill go to taxpayers making less than \$75,000. So I will use that as a starting point.

Let's say we have a family with taxable income of \$75,000. Under the Carnahan-Daschle amendment, the reduction of the 15-percent rate would save them \$452. Two years from now, the 28-percent rate would go to 27 percent, which would give another \$298 back. Our bill would give them the \$298 not 2 years from now but right now.

So when their plan is fully implemented, this family will have a total tax cut of \$750 under the Carnahan-Daschle amendment. When our bipartisan plan is fully implemented, this family will have tax savings of \$894, which is \$144 more than under the Carnahan-Daschle plan. That is because we reduce the 28-percent rate to 25 percent. Our plan provides over 19 percent more in tax cuts for this family than does the Carnahan-Daschle amendment.

Senators CARNAHAN and DASCHLE justify their proposal because they claim

taxpayers in this 15-percent income bracket are shorted since our plan does not reduce the 15-percent rate. They claim that families earning between \$12,000 and \$45,000 will get no rate cut and no tax relief. That is completely untrue.

The nonpartisan Joint Committee on Taxation says that our bipartisan bill provides between 9 percent and 33 percent of relief for families making between \$12,000 and \$45,000. Taxpayers on the lower end of this range receive the biggest percentage reduction, 33 percent; those on the upper end receive the least, 9 percent.

Senators CARNAHAN and DASCHLE do not consider that our bipartisan plan targets other benefits to taxpayers in this income range.

They only look at the rate itself. So these benefits, including the child care credit, the education incentives, the pensions, and the IRA provisions, and various other tax relief measures in this bill, are yet further reductions for people at the 15-percent bracket, between \$12,000 and \$45,000.

The child credit is one example. The entire 15-percent bracket qualifies for it while it is phased out in higher brackets. For many current 15-percent bracket families, the child credit will erase more than 100 percent of their tax liability. The \$3,000 expansion of the earned-income credit income thresholds will make more 15-percent bracket families qualify. Higher tax brackets will not qualify.

When fully phased in, a four-person, two-earner family earning \$30,000 will see their tax bill change from a \$346 liability to a \$1,911 net refund under this bill, and that is a 652-percent swing.

You may wonder why we targeted these benefits instead of reducing the 15-percent rate. Well, Senator DASCHLE made this point better than I could when he spoke on the Senate floor last Thursday. This is the reason he identified in correctly pointing out that when you reduce the tax rate, the benefits of the rate reduction go to taxpayers in that rate bracket and to all other taxpayers in the higher rate brackets. This is because taxpayers pass through the lower rate bracket on their way to the higher rate brackets. If you did a rate cut, it would cause our plan to favor upper income levels, for which I am sure Senator DASCHLE would severely criticize us. Our plan does not do that.

As this chart demonstrates, our bill makes the current tax system even more progressive than it is currently. In every one of these brackets, under present law, people are paying a higher share than they would under the new tax law, except for the highest income level of \$200,000 and above. At that level, people at \$200,000 and above are going to be paying a higher proportion of taxes than they do today. But for every other income level, as a result of our legislation, people in those income levels are going to be paying a lower share of taxes.

The Daschle-Carnahan proposal would actually make our tax system less progressive by giving greater savings to upper income taxpayers as they pass through the 14-percent bracket. When you are really serious about reducing the tax burden for people in the 15-percent income tax bracket, you target available resources to people at that income level. That is exactly what our bipartisan bill does. It targets benefits to families making between \$12,000 and \$45,000 and provides relief ranging, then, from 9 percent at the \$45,000 income to 33 percent at the lower income.

That is better relief than Senator CARNAHAN's 1-percent rate reduction because taking a 15-percent rate to 14 percent is less than a 7-percent reduction of the rate itself.

I don't want you to take my word for it. I don't take Senator DASCHLE's or Senator CARNAHAN's word for it, either. These are conclusions drawn by the Joint Committee on Taxation.

Let's look at the choice before us. Our bipartisan bill provides 9 to 33 percent of relief for 15-percent taxpayers. Our bill provides 19 percent more tax relief to middle-income taxpayers. Their amendment increases individual income taxes by \$87 billion based upon the false assumption that we have not cut the tax burden of the 15-percent taxpayers.

This all seems to be a simple decision. If you want to provide meaningful relief for all taxpayers, then you should vote to defeat the Carnahan-Daschle amendment. If you want to increase individual income taxes by \$87 billion based upon flawed analysis, then by all means vote for the amendment of the opposition. Their amendment only reduces taxes 1 percentage point. It provides a mere thimbleful of tax relief.

This amendment creates a smoke-screen to try to fool middle-income Americans into believing they are getting substantial tax relief when, in fact, it will increase their tax burden by billions.

I will also point out to my colleagues from the other side that the Carnahan-Daschle amendment is not the same amendment offered by Senator DASCHLE during the Finance Committee markup. That amendment would have cut all of the rates by 1 percent in 2002. The Carnahan-Daschle amendment spreads the 1-percent cuts over 5 years, a very significant difference.

I hope the Carnahan-Daschle amendment to withdraw \$87 billion in tax cuts is not the crown jewel of the Democrats' tax proposal. I believe the bipartisan bill put forth by our committee should be the high watermark for both political parties.

I say to all of my colleagues on both sides of the aisle who supported the budget resolution, a vote for the Carnahan-Daschle amendment destroys our efforts to provide a \$1.35 trillion tax cut. As you know, the RELIEF Act

before us contains only individual income tax cuts. It is not larded in favor of a lot of special interest legislation that sometimes is in tax bills. You cannot draft bipartisan legislation if you do that.

A vote to decrease the tax cuts in the RELIEF Act is a vote to increase income taxes of individuals across America by \$87 billion. Obviously, I urge Members to vote to reject the Carnahan-Daschle amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. DORGAN. Mr. President, I yield 5 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, may I ask how much time remains on the Dorgan amendment?

The PRESIDING OFFICER. The sponsor has 16½ minutes; the opposition has 15.

Mr. BAUCUS. I thank the Chair.

Mr. President, the chairman of the committee, Senator GRASSLEY, and I worked very hard to come up with a bill that both of us could support. Given all the dynamics that exist in this body and given the two-party system that we are operating under, it has not been easy.

During the process of coming to this agreement, the chairman has given a lot—I am sure he would like the top rate to be lowered a lot more quickly, and I have given a lot as well. Despite how progressive it is, I would like this bill to be tilted more toward education, more toward pension reform, more toward middle-income taxpayers.

Having said all that, I do believe the Senator from North Dakota has a good amendment, and I support it. It is true that the people who need relief most in this country under the estate tax are family farmers, ranchers, and family businesses. That is where the estate tax really hurts. They are the people who need the support. His amendment directly goes to the main issue before us; namely, helping families.

It is also an improvement compared with the current bill because the current bill repeals the estate tax only in the last year. A lot of American families can't wait ten years to pass on their businesses to their children.

Senator DORGAN's amendment does it. By offering his amendment, he does away with a very complicated carry-over basis provision contained in this bill. We tried that in 1970. We enacted a carryover basis to the heirs of property after estates had been distributed. It didn't work. In fact, we repealed it. It was so complicated, it was a mess. By keeping the current stepped-up basis—again, Mr. President, I personally think he has a good amendment. It is not what we agreed to in committee. It is difficult to strike this balance between supporting my good friend in the committee and the bill we came up with on the one hand, and the one issue on which I do believe the Senator from North Dakota makes good sense.

This was the last issue Senator GRASSLEY and I negotiated—the estate

tax provisions. It is extremely complicated, difficult, with very high passions on both sides. I think a good resolution for all of us in the Senate, frankly, is to support the amendment by my friend from North Dakota. In the final analysis, it improves the bill which more of us could support.

I yield the remainder of my time.

The PRESIDING OFFICER. Who seeks time?

Mr. BAUCUS. I ask the Senator from Kentucky, does he reserve time on this amendment.

Mr. BUNNING. On the bill itself, not the amendment.

Mr. BAUCUS. Mr. President, we are still in the period of offering amendments. Under the unanimous consent agreement we don't get to general discussion until 4 o'clock.

Mr. BUNNING. I was told I should come over because this amendment was going to be offered.

Mr. GRASSLEY. Let me ask my friend on the other side of the aisle, would it be all right if he could have what time I had not used on the Dorgan amendment?

Mr. REID. It is my understanding that the Senator from Iowa has about 15 minutes; is that right?

The PRESIDING OFFICER. Just under 15 minutes.

Mr. REID. The Senator from Kentucky is not going to offer an amendment, just speak on the bill?

Mr. BUNNING. That is correct.

Mr. GRASSLEY. I will yield the rest of my time to the Senator from Kentucky.

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

Mr. BUNNING. Mr. President, I voice my support for H.R. 1836, the tax relief bill.

The American people deserve a tax cut. We have not given them a major, across-the-board tax cut since 1981. Twenty years is too long to wait.

Americans are overtaxed. Personal tax payments have risen on average by 10.5 percent per year over the last five years, but, personal income has risen by only 5.9 percent per year.

The tax burden as a percentage of GDP is the highest it has been since World War Two.

This is absolutely ridiculous, especially when you consider our budget surpluses.

This money belongs to the people and should be returned to them.

If we don't, it's just going to get frittered away here in Washington.

President Bush is correct. No American should pay more than a third of their income in Federal taxes.

This bill does not take us all the way there, but it is a step in the right direction.

This bill will also help eliminate the unfair marriage penalty. We have penalized families for far too long.

I have never understood why the Federal government, through the tax code, would penalize people for getting married.

We should be encouraging marriage, not creating disincentives for marriage.

This bill will provide a deduction up to \$3,000 for two-earned families who file jointly.

In Kentucky, that is real money.

The bill will also help families by doubling the child tax credit.

This will be a welcome addition to families and ease their burden just a little bit.

As the grandfather of 35, I know this will help my nine children.

I also strongly support the estate tax relief this bill is providing.

For far too long, the children of American farmers and small business owners have labored under the burden of knowing that death could force them to sell their assets to satisfy the IRS.

It is way past time to correct this.

There is no good reason to tax individuals at death or to make this sad time a taxable event.

But we need a tax cut not just for of fairness reasons, but also for economic reasons.

We need tax relief to stimulate our economy. As my colleagues know, unemployment has been increasing, and economic growth has been slipping.

The Federal reserve, through way too late in my opinion, has been using monetary policy to help stimulate the economy. But monetary policy itself is not the answer.

We need a strong fiscal policy solution as well.

We need an immediate decrease in withholding taxes to put more money in the pockets of consumers.

We can do much better and the stimulus effect will be much more pronounced by putting more money in the hands of Americans immediately.

We need to get people to start buying again.

We need to give tax relief to our nation's small businesses so they can start reinvesting again.

This bill will bring much needed relief to small businesses, which are the backbone of our economy.

Small businesses create jobs. We need to help them innovate by relieving their tax burdens.

In a perfect world this is not the bill I would have written. I believe that we can give more relief to our small businesses. I think the rates need to be cut more. And I'd like to see faster death tax and marriage penalty relief.

There are some provisions in this bill which, while they have great merit, are not the priorities I would have chosen.

But, obviously, this is not a perfect world.

I believe that chairman GRASSLEY and the Finance Committee have done an outstanding job under very difficult circumstances.

I think it says a lot about chairman GRASSLEY and the committee as a whole that they were able to move such a major piece of legislation, so quickly, in such a bipartisan fashion.

Mr. President, I urge all of my colleagues to support this tax relief bill.

It is not perfect, but it will bring much needed relief to all Americans who pay income taxes, and even some who don't.

It will also help stimulate our economy, and help bring us out of this economic funk we are in.

Time time for tax relief has long passed. Please support our President and vote for H.R. 1836.

Thank you Mr. President. I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from North Dakota is recognized.

Mr. DORGAN. How much time is remaining on each side?

The PRESIDING OFFICER. There are 11 minutes 44 seconds on the Senator's side; 8½ minutes remain on the other side.

Mr. DORGAN. Mr. President, the Senator from Iowa yielded his remaining time. Was the time not used by the Senator from Kentucky?

The PRESIDING OFFICER. It was not all used.

Mr. DORGAN. Was it reserved?

The PRESIDING OFFICER. It was reserved.

Mr. DORGAN. Mr. President, let me try to describe where we agree and where we disagree on this issue of the estate tax. We agree that the estate tax ought to be repealed for family businesses that are transferred to qualified heirs who want to continue to operate the family business.

We do not believe that family business ought to be interrupted by an estate tax. So we agree on that.

The difference is when to do it. My amendment will totally repeal the estate tax obligation for the transfer of family businesses in 2003. The bill that is before the Senate will do it in 2011. The most important part of their bill is effective, as they describe it, in 2011. Mine is effective in 2003. That is a big difference.

We agree that the rates should go down to 45 percent. My amendment takes the rate to 45 percent. The underlying bill does, too. We agree that the unified credit should go up to \$4 million. My amendment does that, and the underlying bill does as well.

The difference is, those who oppose my amendment are saying they want to fight for additional estate tax exemptions and/or repeal for all estates above \$8 million. That is the difference. Those who do not support this amendment are saying: We insist on an estate tax repeal for those estates over \$8 million in value. They say the largest estates in this country need to have their tax burdens eased.

I ask this question: Why would someone in the Senate support taxing the income of middle-income Americans who work for their money but then oppose taxing the income, in fact the largely unearned income, of those who inherit more than \$8 million a year? It seems to me to be a rather strange set of priorities.

We are having this debate about the estate tax that we will vote on this evening. Those who have spoken at great length in this Chamber, I might say, of wanting to protect a family farm or a small business, in my judgment, cannot with a straight face vote against this amendment and then go back home and say: I was supporting you, Main Street business, or I was supporting you, farmer or rancher, because this is the only amendment that, in the year 2003, will repeal the estate tax on the transfer of family businesses to qualified heirs. It is the only opportunity to do that.

The underlying bill will only do it in the year 2011, 10 years from now, the sweet by-and-by as Reverend Ike used to describe it.

I ask for some support for this amendment. I hope those who have talked at such great length about this subject will now have the opportunity and feel the obligation to vote for an amendment that does what they claim they want to be done.

I will speak for a moment more generally on this bill. There is not any question that there is room for a tax cut in this country. We have a budget surplus. It is also the case that we do not know what is going to happen in 6, 8, and 10 years, and we ought to be conservative and cautious about what we commit to in terms of fiscal policy 6, 8, and 10 years from now.

About 20 years ago, a very large tax cut was enacted by this Congress and, as a result of a very substantial tax cut and a doubling of the defense budget, this country sailed into some pretty tough economic waters.

Those rough waters caused very significant and deep Federal budget deficits that nearly choked this country's budget. It meant a difference in everything we did. It meant a difference in how much we had available to invest in our children, invest in education, invest in child care, yes, invest in a range of things that are important to make this a better life, invest especially in infrastructure—roads, school buildings, and so many other things that are important. It made a big difference in our ability to deal with those issues.

We struggled and struggled and, in 1993, we turned this fiscal policy around. We did it by one vote, one single vote in the Senate and one vote in the House of Representatives.

I remember those who stood and opposed it and said: You are going to wreck this country's economy. That is when we had a \$290 billion annual deficit. They said: You are going to wreck this economy. This economy was headed in the wrong direction in a hurry. By one vote we supported a change in fiscal policy and turned this economy around. We went from the largest deficits in history to now a budget that is in surplus and gives us the opportunity to return some of that surplus to the American people. And, yes, we should do that.

No one should call themselves, in my judgment, a conservative who comes to this Chamber and says they know what is going to happen to this economy 6, 8, 10 years out and, therefore, put in place a fiscal policy that could, if our economy turns sour, run this country right back into big deficits once again.

That is not a conservative approach. A far better approach, in my judgment, would be to be somewhat cautious. Yes, provide a tax cut, but do it in a manner that is fair, do it in a way that helps American working families, stimulates the economy, and gives some money back to families who could sure use it.

This is not the time, in my judgment, to put in place a tax cut of well over \$1.3 trillion but when the costs are really added up may well be over \$2 trillion in the coming 10 years. It leaves no margin for error if this economy should turn soft.

It is almost zero gravity politically to be talking about tax cuts. Those who say their main mission in life is to cut the revenue stream of the Federal Government—that is not a controversial proposal I expect back home. It is almost a certain way for one to be popular with one's constituents to say they support the largest possible tax cut for as long as is possible.

But there is another element to this. We should support a tax cut that is fair to all Americans, No. 1, and No. 2, we ought to have enough revenue left to reduce the Federal debt, which stands at \$5.6 trillion and which after this fiscal policy plays itself out will stand at \$6.7 trillion.

This fiscal policy and the budget passed by this Congress, coupled with this tax cut, will increase Federal indebtedness by \$1.1 trillion. Think of that.

Second, there ought to be enough left to make sure we have the investment necessary to improve our country's schools, to provide the research in health and welfare and other issues we have to deal with in this country, and to make this country a place in which all of us can lead better lives.

I know the Senator from New Mexico is waiting to speak. May I ask how much time remains on my amendment?

The PRESIDING OFFICER. There is 4 minutes 7 seconds.

Mr. DORGAN. I reserve the remainder of my time.

Mr. REID. Mr. President, if the Senator will yield, I was asked by the Senator from Iowa to protect the floor on his behalf in his absence. I will certainly do that. It was my understanding that he no longer wished to speak on this amendment. If he returns and desires to speak, we will restore that time. In the meantime we can get to another amendment.

I was told that if I allowed Senator BUNNING to go forward, Senator SPECTER was not going to offer his amendment and Senator BINGAMAN, who is next in order, could offer his. Does that make sense?

On behalf of the Senator from Iowa—

The PRESIDING OFFICER. If the Senator from Iowa comes back and wants to claim his time, he will be so allowed.

Mr. REID. On behalf the Senator of Iowa, I yield back his time with the understanding that if there is a misunderstanding, he can have back his time.

Does the Senator from North Dakota yield back his 4 minutes?

Mr. DORGAN. I do so with the understanding that if the other side reclaims its time, I be restored the 4 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second.

Mr. DORGAN. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. REID. Mr. President, it is my understanding the 6 hours will run out at approximately 20 to 4. At that time, I alert the majority that I will propound a unanimous consent request to use the 20 minutes, with both sides having that in 5-minute increments, until 4 o'clock. I do not propound that at this time.

The PRESIDING OFFICER. The Senator from New Mexico.

#### AMENDMENT NO. 717

Mr. BINGAMAN. Mr. President, I wish to offer an amendment, amendment No. 717. It is an amendment related to our energy policy. Its purpose, as provided in the amendment, is to provide energy conservation and production tax incentives.

Let me briefly describe the amendment and the reasons I urge my colleagues to support the amendment when we do get the opportunity to vote on it later this evening.

Last Thursday, President Bush unveiled his national energy policy. I have a copy. There is a lot in this national energy policy upon which I think all Members can agree. There are proposals that will increase production; there are proposals that encourage conservation; there are proposals that will try to stimulate more innovation in technology to better capture energy and use energy in the future.

I commend the President for the initiative he has shown. Obviously, there are provisions in this national energy policy that are going to be very controversial and that I will not support. We will have ample opportunity over the next weeks and months to discuss those and debate them and deliberate on them and vote on them.

Members may wonder why I am talking about energy on a tax bill. This is supposed to be a bill to cut taxes. Why bring up the subject of energy? The reason I bring energy up is that the President himself, last Thursday, pro-

posed a whole series of incentives to meet our energy challenges. These are tax incentives, reductions in people's taxes, if they will agree to take certain actions that will then help our country to meet the challenges we face in the energy area.

I introduced a bill earlier this year that also contains many tax incentives that we believe will move the country toward a more enlightened energy policy. Senator MURKOWSKI, the chairman of the Energy and Natural Resources Committee, on which I am the ranking member, introduced a bill early this year containing many tax incentive provisions. There is a great deal of commonality between the bill Senator MURKOWSKI introduced, the ones I introduced, and the ones the President's national energy policy embraces.

We have an issue where there is substantial consensus. The question is, Why talk about it on this tax bill? Let me explain the context in which we come to the debate on the tax bill. We are talking about this tax bill because we passed a budget resolution in the Senate which set aside \$1.35 trillion over the next 10 years and directed the Finance Committee in the Senate to put together a tax bill that would use up that \$1.35 trillion.

The tax bill we are talking about today, that we are debating and that we will vote on later tonight, does exactly what the budget resolution told the Finance Committee to do. That is, it uses up all of that \$1.35 trillion. There is no more after that. After that, according to the budget resolution, we should not be passing additional tax bills under this budget resolution.

I very much believe if we are going to take the recommendations of the President, if we are going to move in the area of energy policy to provide tax incentives for the actions we believe people ought to take, then we need to adopt the amendment I am offering, this energy amendment, and in that way use some of the tax revenue we are proposing to eliminate in the tax cut legislation to provide these incentives.

Let me go through a description of what is in the amendment. The amendment tries to speed up the investment in our Nation's energy infrastructure, speed up the investment in high-efficiency equipment in all parts of our economy. As I indicated before, the provisions we have in this amendment I believe all have good bipartisan support. They are nothing that I claim authorship of because many are included in what the President has recommended and many are included in what Senator MURKOWSKI recommended.

One large category of these incentives is the investment in infrastructure and highly efficient end use and in generating equipment. For example, one provision shortens the depreciation schedule for transmission lines and natural gas pipelines. We have heard a lot of testimony already in the Energy Committee that we need to move ahead

more quickly with building of transmission lines, building of additional pipelines. This will help.

There is a provision for incentives to push ultra-high-efficient appliances and equipment in the marketplace and provide incentives for people to purchase these appliances and equipment.

It provides incentives for constructing and upgrading homes and upgrading and constructing commercial buildings that are energy efficient, something we all agree ought to be done.

It provides incentives for upgrading and building the cleanest, lowest emission coal-fired generation.

It provides incentives for purchase of high-efficiency hybrid vehicles. This is an initiative I have heard a lot of people talk about in this Chamber. We recognize we would be better off as a country; we would import less oil, if we would drive more fuel efficient vehicles. One way to persuade Americans to drive more fuel efficient vehicles is to give them a tax incentive so when they buy a hybrid vehicle with an engine that gets 60 or 70 miles per gallon, it will be cheaper for them because of the tax incentive we provide.

The amendment I will propose today extends the renewable production credit to include a whole range of items: Steel, cogeneration, geothermal, landfill methane, incremental hydropower. It provides a 7-year depreciation schedule for distributed generation facilities. There are a whole range of provisions that are generally agreed by experts to make sense. We also provide incentives for investment in sophisticated real-time metering, electronic load management, so consumers can better control energy use and costs. All of these are provisions that I think will have broad bipartisan support and do have broad bipartisan support.

What I am urging is that we use up the revenue that has been made available through the budget resolution for tax cuts; we do some of these things in the energy area that the President himself last Thursday said he believes we ought to do. It would be irresponsible to pass a large tax cut, cutting rates, eliminating the estate tax, doing a variety of things, without any consideration of the needs we have as a country to move toward a more enlightened energy policy. This amendment tries to ensure we do the right thing.

What I proposed as an offset is slowing down the phasing in of the cuts in the marginal tax rates, the top marginal tax rates. That seems a reasonable way to pay for the cost of this amendment. It is something which I strongly believe would be a good procedure.

Let me make one more general point. I think a reason it is important to raise this issue now is that a lot of people are being misled into believing there is no limit to the number of tax bills we can pass—that we can pass this for \$1.35 trillion and then we can come

back later and pass another one that deals with extending the alternative minimum tax exemption; we can pass another that does the traditional extenders; we can pass a whole variety of bills.

I was reading on the Associated Press wire published through the Albuquerque Journal on the Web site before I came over today. The title of the article I thought was very interesting: "O'Neill: Further tax relief coming." It had a picture of Treasury Secretary Paul O'Neill in a speech he gave today where he said the administration viewed this as only the first tax bill, not the last. He also goes on to say in the future they want to accelerate the tax relief under the estate tax. That is another tax bill they anticipate.

It also referred to the fact that in the newspaper interview he indicated they would push for repeal of the Federal corporate income tax. That is not a cut in the Federal corporate income tax; that is elimination of the corporate income tax.

The third he mentioned was a Federal tax on capital gains that should be eliminated.

Mr. President, I am told before I yield the floor I need to call up my amendment. Let me do that at this time. I ask the amendment be considered.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN] proposes an amendment numbered 717.

Mr. BINGAMAN. I ask unanimous consent the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under "Amendments Submitted and Proposed".)

Mr. BINGAMAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. BINGAMAN. I yield time to the Senator from Nevada.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, the Senator from New Mexico is the ranking Democrat on the Committee on Energy and Natural Resources. I am the ranking Democrat on the Committee on Environment and Public Works. We worked very closely together this year and, rather than my offering a separate amendment, we have joined in this amendment.

This is a very good amendment. I hope this body will support this amendment. That which I am most concerned about in his amendment deals with renewable energy.

We are all aware that the current energy crisis in California has demonstrated that America must increase its supply of electricity and decrease its demand.

Ensuring that the lights and heat or air conditioning stay on is absolutely critical to sustaining America's economic growth and Americans' quality of life. Already in Nevada electricity and natural gas prices have skyrocketed in recent months.

These increases are especially hard on working families who are already struggling to make ends meet. The impacts of high energy bills hits minority groups hardest.

The citizens of Nevada, and of the nation, demand a national energy strategy to ensure their economic well being and security, and to provide for the quality of life they deserve.

Nevadans understand that an energy strategy must encompass conservation, efficiency, and expanded generating capacity.

Renewable energy is poised to make major contributions to our Nation's energy needs over the next decade.

I have offered with Senator BINGAMAN as a lead, a good amendment. I have offered an amendment which expands the existing production tax credit for renewable energy technologies to cover all renewable energy technologies, increases the credit from 1.5 to 1.8 cents, and makes the credit permanent.

This amendment expands the credit to include wind, animal and poultry waste, closed- and open loop biomass, incremental hydropower, municipal solid waste, geothermal energy, landfill gas, and steel cogeneration.

Recognizing that coal provides 50 percent of the nation's electricity supply, this amendment also provides for a 1.0 cent production tax credit for co-firing coal power plants with biomass, since co-firing can significantly reduce emissions.

Our nation has a promising potential of renewable energy sources.

Wind power is the fastest growing source of electricity in the world. Prices have dropped 90 percent since 1980. At the Nevada Test Site, a new wind farm will provide 260 megawatts to meet the needs of 260,000 people—more than 10 percent of Nevada's population within 5 years.

Nevada is sometimes referred to as the "Saudi Arabia of Geothermal Energy." Our state has already developed 230 Megawatts of geothermal power, with a longer-term potential of more than 2,500 Megawatts, enough capacity to meet half the state's present energy needs.

The Department of Energy has estimated that we could increase our generation of geothermal energy almost ten fold, supplying ten percent of the energy needs of the West, and expand wind energy production to serve the electricity needs of ten million homes.

As fantastic as it sounds, enough sunlight falls on an area measuring 100 miles by 100 miles in southern Nevada that—if covered with solar panels—could power the entire nation. Obviously, covering this area of Nevada with solar panels is not a practical an-

swer to our current energy challenges. However, the example does make one very practical point: our nation does not lack for renewable energy potential.

In addition, we need a permanent credit to provide business certainty and signal America's long-term commitment to renewable energy resources.

To illustrate the need for a permanent tax credit, I recently learned that the wind farm project in Nevada is now experiencing delays in securing loans from banks due to the uncertain nature of the production tax credit for wind energy. Without a permanent credit, we can't provide the business certainty for utilities to invest in renewable energy resources. This we must do.

This amendment allows for co-production credits to encourage blending of renewable energy with traditional fuels and provides an additional 0.25-cent credit for renewable facilities on native American and native Alaskan lands.

Finally, my amendment provides a production incentive to tax exempt energy production facilities like public power utilities by allowing them to transfer their credits to taxable entities.

Growing renewable energy industries in the U.S. will also help provide growing employment opportunities in the U.S., and help U.S. renewable technologies compete in world markets.

In states such as Nevada, expanded renewable energy production will provide jobs in rural areas—areas that have been largely left out of America's recent economic growth.

Renewable energy—as an alternative to traditional energy sources—is a common sense way to ensure the American people have a reliable source of power at an affordable price.

The United States needs to move away from its dependence on fossils fuels that pollute the environment and undermine our national security interests and balance of trade.

We need to agree to this amendment to send the signal to utilities that we are committed in the long term to the growth of renewable energy. We must accept this commitment for the energy security of the U.S., for the protection of our environment, and for the health of the American people.

Mr. SARBANES. Madam President, I have already expressed my opposition, in general, to the tax reconciliation bill the Senate is currently considering. But I want to take a moment, while Senator BINGAMAN's amendment is pending before us, to highlight a provision in that amendment which I believe can play a significant role in addressing our Nation's current energy problems. This provision is modeled after a bill I cosponsored, S. 217, the Commuter Benefits Equity Act, and represents an important step forward in our efforts to fight pollution and congestion by supporting public transportation.

The Internal Revenue Code currently allows employers to provide a tax-free transit benefit to their employees of up to \$65 per month to pay for the cost of commuting by public transportation or vanpool. This program is designed to encourage Americans to leave their cars behind when commuting to work.

However, despite the success of this program in taking cars off the road, our tax laws still reflect a bias toward driving. The Internal Revenue Code allows employers to offer a tax-free parking benefit to their employees of up to \$180 per month. The striking disparity between the amount allowed for parking, \$180 per month, and the amount allowed for transit, \$65 per month, undermines our commitment to supporting public transportation use. The pending amendment would address this discrepancy by raising the maximum monthly transit benefit to equal the parking benefit.

I believe the potential of mass transit to help address our Nation's current energy crunch has been consistently overlooked. With gas prices soaring and congestion increasing, public transit offers one of the best solutions to America's growing pains. I am pleased that this measure has been included in this package of energy-related tax provisions, because I believe support for mass transit should be a component of any energy package.

The PRESIDING OFFICER. The Senator's time has expired on this amendment.

Mr. REID. Mr. President, it is my understanding the 6 hours is now gone or about to be gone; is that true?

The PRESIDING OFFICER. There are 16 minutes on the Republican side of the aisle and no time remaining—

Mr. REID. On this amendment of the Senator from New Mexico?

The PRESIDING OFFICER. That is correct, also with regard to all amendments.

Mr. REID. I would like to know if anyone wishes to speak against the amendment of the Senator from New Mexico. If there is no one who wishes to speak, I know there is at least one Senator who is next in order to offer an amendment, the Senator from Arizona. I understand the Senator from New Hampshire wished to speak generally on the bill for about 3 minutes or to offer an amendment.

If there is someone who has authority to yield back the time, we could get to these amendments. Otherwise, I don't know how we can get to the amendments.

Could the Senator on behalf of Senator GRASSLEY yield back the time?

Mr. McCAIN. On behalf of Senator GRASSLEY and his capable staff, who will take the responsibility if this is wrong, I yield back the remaining time on this side.

Mr. REID. Before the Senator proceeds, we have now less than 20 minutes before 4 o'clock. It will be my suggestion the two Senators who wish to offer amendments be recognized for up

to 5 minutes each. Then it will be the turn of the Democrats to offer an amendment, and then it will be again the Republican's turn. Does that sound reasonable?

Mr. McCAIN. I have to temporarily object because Senator GRASSLEY would have to be asked. I would like to go ahead with my amendment. He will be back shortly.

Mr. REID. I have no objection to the Senator from Arizona offering his amendment but with a limit of 5 minutes.

Mr. McCAIN. I have an amendment and motion to recommit. Will you give me 7 minutes?

The PRESIDING OFFICER. Is there objection to 7 minutes? The Chair hears none, and it is so ordered. The Senator from Arizona.

AMENDMENT NO. 660

Mr. McCAIN. Mr. President, I have an amendment at the desk numbered 660. I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Arizona [Mr. McCAIN] proposes an amendment numbered 660.

Mr. McCAIN. I ask unanimous consent the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To limit the reduction in the 39.6 percent rate bracket to 1 percentage point and to increase the maximum taxable income subject to the 15 percent rate)

On page 9, in the matter between lines 11 and 12, strike "37.6%" in the item relating to 2005 and 2006 and insert "38.6%" and strike "36%" in the item relating to 2007 and thereafter and insert "38.6%".

On page 13, between lines 15 and 16, insert:  
**SEC. 104. INCREASE IN MAXIMUM TAXABLE INCOME FOR 15 PERCENT RATE BRACKET.**

Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases), as amended by section 302, is amended—

(1) in paragraph (2)—

(A) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D),

(B) by inserting after subparagraph (A) the following:

"(B) in the case of the tables contained in subsections (a), (b), (c), and (d), by increasing the maximum taxable income level for the 15 percent rate bracket and the minimum taxable income level for the next highest rate bracket otherwise determined under subparagraph (A) (after application of paragraph (8)) for taxable years beginning in any calendar year after 2004, by the applicable dollar amount for such calendar year," and

(C) by striking "subparagraph (A)" in subparagraph (C) (as so redesignated) and inserting "subparagraphs (A) and (B)", and

(2) by adding at the end the following:

"(9) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (2)(B), the applicable dollar amount for any calendar year shall be determined as follows:

"(A) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (a)—

<b>Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2005 .....	\$1,000

<b>Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2006 .....	\$2,000
2007 .....	\$3,000
2008 .....	\$4,000
2009 and thereafter .....	\$5,000.

"(B) OTHER TABLES.—In the case of the table contained in subsection (b), (c), or (d)—

<b>Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2005 .....	\$500
2006 .....	\$1,000
2007 .....	\$1,500
2008 .....	\$2,000
2009 and thereafter .....	\$2,500."

Mr. McCAIN. Mr. President, the principle that guides my judgement of a tax reconciliation bill is tax relief for those who need it the most—lower- and middle-income working families. I am in favor of a tax cut, but a responsible one that provides significant tax relief for lower- and middle-income families. And I commend Senator GRASSLEY for moving in that direction. But I am concerned that debt will overwhelm many American households. That is why tax relief should be targeted to middle-income Americans. The more fortunate among us have less concern about debt. It is the parents struggling to make ends meet who are most in need of tax relief.

I had expressed hope that when the reconciliation bill was reported out of the Senate Finance Committee, the tax cuts outlined would provide more tax relief to working, middle-income Americans. However, I am disappointed that the Senate Finance Committee preferred instead to cut the top tax rate of 39.6 percent to 36 percent thereby granting generous tax relief to the wealthiest individuals of our country at the expense of lower- and middle-income American taxpayers.

This amendment would, instead, cut the top tax rate for the wealthiest individuals from 39.6 percent to 38.6 percent and devote the resulting savings that would have gone to this group to lower- and middle-income taxpayers by increasing the number of individuals who pay the 15 percent tax rate. When it is finally phased in, this amendment could place millions of taxpayers now in the 28 percent tax bracket into the 15 percent tax bracket. This amendment targets tax relief to the individuals who feel the tax squeeze the most: lower- and middle-income taxpayers. Under this amendment, unmarried individuals can make nearly \$30,000 and married individuals can make \$50,000, and still be in the 15 percent tax bracket.

Mr. President, this is a modest amendment. I would have preferred that we be able to have a larger increase in the number of taxpayers in the 15 percent bracket, but given the constraints of the modest savings from cutting the top rate by only 1 percent, this will have to do for now. But it is an important first step towards further reform.

I support this amendment because it helps ordinary middle-class families who are struggling to make ends meet



and it promotes future economic prosperity by increasing the amount of money taxpayers have available for their own saving and investment.

We must provide American families with relief from the excessive rate of taxation that saps job growth and robs them of the opportunity to provide for their needs and save for the future. This amendment would deliver tax relief to more middle-class taxpayers by increasing the number of individuals who pay the 15 percent tax rate.

This amendment results in millions of taxpayers being able to keep more of the money they earn. This extra income will allow individuals to save and invest more. Increased savings and investment are key to sustaining our current economic growth.

In sum, the measure is a win for individuals, and a win for America as a whole. Therefore, Mr. President, on behalf of the millions of Americans in need of relief from over-taxation, I urge my colleagues to support this amendment.

This amendment targets tax relief to the individuals who feel the tax squeeze the most: lower and middle-income taxpayers. Under this amendment, unmarried individuals can make nearly \$30,000 and married individuals can earn up to \$50,000 and still be in the 15-percent tax bracket.

#### MOTION TO COMMIT

Now, Mr. President, I send a motion to commit with instructions on behalf of myself, Senator CONRAD, and Senator LEVIN to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the pending amendment will be laid aside and the clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. MCCAIN], for himself, Mr. CONRAD, and Mr. LEVIN, moves that the Act, H.R. 1836, as amended, be committed to the Senate Finance Committee with instructions to report back forthwith.

The motion is as follows:

(1) strike any reduction in the top 2 income tax rates, and it shall not be in order for the Committee or the Senate to consider any such reductions—

(A) until the President has submitted a comprehensive defense budget amendment to the Congress; and

(B) until the Congressional Budget Office has submitted to the Committees on Budget, Appropriations, and Armed Services a re-estimate of the budget authority and outlays necessary to implement the policies proposed by the President in such budget amendment through fiscal year 2011; and

(2) any other bill reported by the Committee containing reductions in the 2 top income tax rates—

(A) shall be considered as a reconciliation bill in accordance with the Budget Act; and

(B) shall provide that any such reductions to the 2 top income tax rates reflect any adjustment necessary to accommodate the additional outlays estimated by the Congressional Budget Office under paragraph (1)(B) of this motion to be necessary to fund the President's defense budget amendment and to ensure that such outlays, taken in combination with the revenue impact of the income tax rate reduction bill, do not reduce

the Federal budget surplus in any year below the levels necessary to preserve the estimated surplus under current law in either the Medicare Hospital Insurance Trust Fund or the Social Security Trust Fund.

Mr. MCCAIN. Mr. President, without knowing what the administration intends to spend on our national defense, it is difficult for me to support the Budget Reconciliation bill. In the wake of large tax cuts, non-defense spending initiatives, and uncertain surplus projections, we cannot be sure how much money will remain to fund such defense priorities as National Missile Defense, force modernization, spare parts, flight hours, overdue facility maintenance, training programs, and the care of our service members.

My motion would ensure that those funds needed for these critical defense priorities are available, especially in light of an article from today's Defense Week, which I will include in the RECORD, that suggests the so-called reserve fund for defense may be much smaller than predicted for the next ten years.

Mr. President, we have the world's finest military, but that is principally because of the fine people in the military who continue to do more with less. Our ability to field credible front-line forces is due to the efforts of our servicemembers, as we live off of the remnants of the Reagan military buildup. That may be difficult to admit, unless you have reviewed the list of aircraft, ships, artillery, and tanks in our current weapons inventory, and recognized the extent of this problem.

Anyone who dismisses our military forces' serious readiness problems, concerns with morale and personnel retention, and deficiencies in everything from spare parts to training, is either willfully uninformed or just not ready to face reality. Highly skilled service men and women, who have made ours the best fighting force the world, have been leaving in droves—unlikely to be replaced in the near future. The reason for deciding to leave the service is simple; if one is overworked, underpaid, and away from home more and more often, why stay? Potential recruits say why join? Failure to fully and quickly address our readiness problem will be more damaging to both the near and long-term health of our all-volunteer force than we can imagine.

The cure for our defense decline will be neither quick nor cheap. We should not only shore up the services' immediate needs, but also should address the modernization and personnel problems caused by years of chronic under-funding.

The administration must take several important steps: propose realistic budget requests; specifically budget for ongoing contingency operations; provide adequately for modernization; ensure equipment and base operations maintenance is adequately funded; and resolve the wide pay and benefits disparity between the military and civilian sector. In turn, civilian and uni-

formed leadership must be willing to break from service parochialism and institutional affinities for "cold war" legacy weapons systems and funding priorities.

Recently, I voted in favor of the Budget Resolution for Fiscal Year 2002 in the interest of moving the budget process forward. But I did so in the hope that the Reconciliation bill would address many of the reservations I had about the priorities and assumptions contained in the resolution.

My chief concern was that the Reconciliation bill should explicitly provide sufficient resources for our national security. Our military services have been neglected for too many years. But with appropriate increases and money freed up from eliminating waste and inefficiency in the defense budget, we can make progress toward restoring the morale and readiness of our Armed Forces.

Currently, the administration is conducting a defense review. My motion would ensure that the reconciliation bill before us provides not only the resources for these overdue reforms, but also funds to substantially strengthen air, sea, and land forces in the near term.

Today in Defense Week there is a very interesting article entitled "Federal Spending Blueprint Limits Defense Dollars":

Congress has set aside so much of the \$5.6 trillion budget surplus—for a tax cut, Social Security, Medicare and more—that just \$12 billion in outlays is left for fiscal 2002 spending increases across the federal government, according to officials and documents. . . .

The annual budget reserve figures have not been previously disclosed. They demonstrate the limits within which military programs must compete against other priorities. These constraints are tighter than is widely known. While a chorus of voices have advocated increasing the Pentagon budget by up to \$100 billion a year, the new figures show how difficult even a fraction of that increase will be to attain.

Mr. President, I ask unanimous consent that the article from Defense Week be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Defense Week, May 21, 2001]

#### FEDERAL SPENDING BLUEPRINT LIMITS DEFENSE DOLLARS

(By John M. Donnelly)

Congress has set aside so much of the \$5.6 trillion budget surplus—for a tax cut, Social Security, Medicare and more—that just \$12 billion in outlays is left for fiscal 2002 spending increases across the federal government, according to officials and documents.

The relatively small pot of money for budget boosts sets tight limits on the resources available for Defense Secretary Donald Rumsfeld's emerging plans for the military.

In the budget resolution that Congress passed earlier this month, lawmakers pencilled in plans for the massive surplus that largely ignore the Pentagon. All told, \$504 billion of the \$5.6 trillion surplus is reserved for any spending, defense or otherwise, above what's currently planned in federal budgets. But in not one of the next five fiscal years

does the amount in the reserve exceed \$20 billion in outlays, said William Hoagland, majority staff director of the Senate Budget Committee, in an interview.

The annual budget reserve figures have not been previously disclosed. They demonstrate the limits within which military programs must compete against other priorities. Those constraints are tighter than is widely known. While a chorus of voices have advocated increasing the Pentagon budget by up to \$100 billion a year, the new figures show how difficult even a fraction of that increase will be to attain.

Still the Department of Defense and Energy national security programs will not be starved for cash next year: They'll get at least \$325 billion in budget authority, about 5 percent more than was appropriated this fiscal year.

Although the \$504 billion surplus is a lot of money, on an annual basis, it becomes available only slowly, according to the plan.

After the \$12 billion in outlays reserved for the fiscal year that begins Oct. 1, Congress left \$19 billion reserved for fiscal 2003, \$10 billion for fiscal 2004, \$11 billion for 2005 and \$20 billion for 2006, Hoagland said. Those figures taken into account the annual rate at which taxes would be slashed in the Senate-passed tax-cut bill, he said.

He hastened to add that those reserve dollars could increase, because the budget resolution is a blueprint and Congress has yet to actually authorize and appropriate the money. On the other hand, many analysts contend that the pool of reserve money is likely to be smaller than the current projection.

#### HOW BIG A RAISE?

Calls for annual Pentagon budget boosts of between \$50 billion and \$100 billion have become commonplace as the rising cost of maintaining an aging force structure and 2 million active-duty military and civilian personnel has become more evident. Recent press reports have indicated the Pentagon may even ask for increases of up to \$50 billion a year.

The annual dollar amounts described by Hoagland represent what's left in the next five years to increase the budget of any federal department or agency above President Bush's plan. Once Rumsfeld and Bush unveil the findings of a review of military priorities in the coming weeks, the Pentagon is expected to ask for a raise in fiscal 2002 above what Bush put forth in a "placeholder" defense budget in late February.

The question of the hour is: How much of a raise?

"Budget authority" is the total amount that Congress empowers the executive branch to make available for programs; the "outlay" figure applicable in this case is the estimated value of the checks the government will sign. In a given year, the Pentagon's outlays typically represent about 60 percent of its budget authority.

Consequently, assuming that all the reserve \$12 billion in outlays is slated for the Pentagon alone (an arguably risky assumption), then Bush would need to ask for perhaps an additional \$20 billion in budget authority, roughly speaking.

The president's February budget requested \$325 billion in budget authority for Defense and Energy security programs. That was \$16 billion more than President Clinton's plan for fiscal 2002 and \$14 billion over Congress's appropriation for the current fiscal year.

Consequently, \$20 billion in an additional budget authority now would make the Pentagon's budget \$36 billion higher than Clinton had planned for fiscal 2002 and \$34 billion above this year's mark. That's big money, but far less than the \$90 billion a senior de-

fense official recently told Defense Week was required.

Although far less of an increase than many have predicted or hoped for, such an increase would not be insignificant and would be criticized in some quarters as unneeded a decade after the Cold War ended.

#### ASSUMPTIONS QUESTIONED

There are several reasons to suspect that the \$504 billion reserve for the next 10 years may end up smaller than predicted.

According to a non-partisan analyst, Steven Kosiak of the Center for Strategic and Budgetary Assessments, a defense think tank in Washington, D.C., the budget blueprint assumes that non-defense spending will not grow much faster than inflation.

But if those programs grow by 1 percent above inflation, then the \$504 billion reserve over 10 years would be cut more than 50 percent, Kosiak says. Domestic programs have been kept below inflation only in 1996 and during two years of the Reagan administration, a Democratic aide said. Over the past decade, the growth has averaged 2 percent, Kosiak said.

If past is prologue, the reserve won't materialize. But Bush has promised to hold the line on government outlays.

All told, when a host of other non-defense priorities are considered, Kosiak sees \$700 billion in non-military items competing for the \$504 billion pot.

In addition, many Republicans are committed to adding to the 11-year \$1.35 trillion tax cut now being debated or to pass separate tax cut measures in the future. That, too, would threaten the Pentagon's share of the pie.

Finally, the Congressional Budget Office's assumptions about the economy's growth undergird the projected surplus. If those assumptions fail to come true, the surplus itself may not materialize, some experts warn. For example, according to Kosiak, CBO concedes there's a 50-50 chance that its five-year projections of the surplus could be off by \$250 billion, either plus or minus.

If CBO has overstated economic growth, the impact on the reserve could be substantial. Kosiak says that "even a very modest reduction" of future growth could completely eliminate the \$500 billion reserve.

However, when the CBO has been wrong lately, it has underestimated the economy's strength and so understated the size of U.S. revenues. New revenue numbers are due this summer, and they may change the fiscal picture.

Mr. MCCAIN. I asked the Office of Management and Budget Director to send me information as to how much we were going to spend on defense both this year and in the next 10 years. No answer. There has not been even an estimate as to what the supplemental will be. We are about to enact one of the most massive tax cuts in history, and we do not have any idea how much money is going to be devoted to defense spending and how much is going to be left over for it.

I believe the American people and Members of this body have a right to know that answer. This motion basically says that we should wait, as far as the top tiers are concerned, until we find out how much money is going to be spent on defense.

It instructs the Budget Committee to come up with the information that is necessary for us to make these decisions in the overall context of other spending but most importantly defense spending.

I campaigned all across this country telling service men and women that help was on the way. So far not one penny of help has been on the way. So far we have not had a supplemental appropriations bill to meet the pressing, compelling needs just to keep our planes flying, our ships at sea, and our men and women in the military. We do not have the supplemental. We have no estimate of what our defense spending needs are going to be for the next 10 years. According to recent information, including from Defense Week, there will be very little.

I urge the adoption of the motion to commit with instructions.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 3 minutes remaining.

Mr. MCCAIN. I yield back the remainder of my time.

Mr. REID. Is the Senator from New Hampshire ready to proceed?

The PRESIDING OFFICER. Does the Senator from Nevada yield back time on the McCain amendment?

Mr. BAUCUS. Yes. Mr. President, all time in opposition to the amendment is yielded back.

Mr. MCCAIN. Could I say to my friend, my understanding is that Senator CONRAD wanted to speak on this motion to commit, so I want to reserve 2 minutes of my time remaining for Senator CONRAD, if he wants to speak. If not, I will yield it back.

Mr. BAUCUS. I yield back all time. If Senator CONRAD wants to speak for 2 minutes later on during the day, I think we can find time to let him speak on the amendment.

Mr. MCCAIN. What is the point? What is the problem? I reserve the 2 minutes.

Mr. BAUCUS. So we can go on with this amendment.

The PRESIDING OFFICER. The Senator has reserved 2 minutes.

Without objection, it is so ordered.

Mr. REID. Mr. President, the Senator from New Hampshire is next in order to speak for not more than 5 minutes.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, on behalf of the leader, I ask unanimous consent that following the two previously scheduled votes that will begin at approximately 6:08 this evening, the Senate proceed to votes in relation to the pending amendments in the order in which they were offered. I ask consent that there be 2 minutes equally divided for debate between the votes.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Mr. President, reserving the right to object, that time may slide a little bit because the two leaders have their leader time reserved. They may use that. So with that in mind, I have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMITH of New Hampshire. On behalf of Senator MCCAIN, I ask unanimous consent that it be in order for me

to ask for the yeas and nays on the McCain amendment and on the McCain motion to commit.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SMITH of New Hampshire. I ask for the yeas and nays on the McCain amendment and the McCain motion to commit.

Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. What is the pending business before the Senate?

The PRESIDING OFFICER. The Senator from New Hampshire has 5 minutes.

#### AMENDMENT NO. 680

Mr. SMITH of New Hampshire. Mr. President, I call up my amendment No. 680.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from New Hampshire [Mr. SMITH] proposes an amendment numbered 680.

Mr. SMITH of New Hampshire. I ask reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To remove the limitation that certain survivor benefits can only be excluded with respect to individuals dying after December 31, 1996)

On page 802, after line 21, add the following:

#### SEC. 803. REMOVAL OF LIMITATION.

(a) IN GENERAL.—Section 101(h) of the Internal Revenue Code of 1986 (relating to exclusion of survivor benefits from gross income) is amended by adding after paragraph (2) the following new paragraph:

“(3) APPLICATION.—This subsection shall apply to amounts received after December 31, 2000.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

Mr. SMITH of New Hampshire. Mr. President, there is no more noble calling than for those who choose to put their lives on the line every day to serve and protect our families.

On November 29, 1989, about 12 years ago, New Hampshire State Trooper Gary P. Parker from Wolfeboro, NH, was tragically killed in the line of duty. He left behind his wife Amy, a 16-month-old son Gregory, and a daughter Lindsay, who was to be born just 10 weeks after Trooper Parker lost his life.

Amy Parker is now alone with her grief and was faced with raising both her son and daughter alone, something that I can certainly understand since my father died in the Second World War when I was 3. I was raised by my mother, with my brother, without a dad.

But, fortunately, because her husband had prepared for the unthinkable, both children were left with a small survivor benefit pension. Believe it or not, they were forced to hand over a large portion of those benefits in taxes to the Federal Government, leaving the family very little on which to live.

In 1996, Congress recognized the unfairness of this provision and rightly corrected the oversight. However, the correction only applied to those who died after 1997, leaving all of those families who were currently living with the grief and hardship of a tragic death with that additional burden still there.

This amendment that I am offering, amendment No. 680, is a very simple amendment. I hope I will have the support of my colleagues. It will correct this oversight and bring relief to all the families of law enforcement officers who have lost their lives in the line of duty and are currently living under this inequity in the law.

This is an important amendment that will send a message to our law enforcement community and their families that we hold them in the highest esteem, and we honor them for their service and sacrifice. We ought not have the Tax Code of the United States of America discriminate against them. I hope we will correct this inequity by adopting my amendment.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be.

The yeas and nays were ordered.

#### AMENDMENT NO. 723 TO AMENDMENT NO. 680

Mr. SMITH of New Hampshire. Mr. President, before yielding the floor, I send a second-degree amendment to the desk and ask for the yeas and nays on that.

The PRESIDING OFFICER. The clerk will report the amendment.

The senior assistant bill clerk read as follows:

The Senator from New Hampshire [Mr. SMITH] proposes an amendment numbered 723 to amendment No. 680.

Mr. SMITH of New Hampshire. I ask unanimous consent reading of the amendment be dispensed with.

Mr. REID. Objection. Let's read this.

The PRESIDING OFFICER. Objection is heard.

The senior assistant bill clerk read as follows:

At the appropriate place, add the following:

#### SEC. . PERMANENT MORATORIUM ON IMPOSITION OF TAXES ON THE INTERNET.

Section 1101(a) of the Internet Tax Freedom Act (title XI of division C of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999; 47 U.S.C. 151 note) is amended by striking “during the period beginning on October 1, 1998, and ending 3 years after the date of the enactment of this Act” and inserting “after September 30, 1998”.

Mr. SMITH of New Hampshire. Mr. President, this amendment will permanently extend the current moratorium on the imposition of taxes on the Inter-

net. It will also stop those who wish to establish a national sales tax from doing so. In May of last year, the House overwhelming passed this legislation, and the American people strongly oppose taxing the Internet and they vehemently oppose a national sales tax.

Mr. President, let us not forget, as a result of leaving the Internet to its own device, we have seen an explosion in Internet trade, commerce and information available to consumers. Numerous organizations have backed my amendment to extend the moratorium on Internet taxes, including the Association of Concerned Taxpayers, U.S. Business and Industrial Council, and United Seniors Association. Now some have argued that it is not a level playing field because Internet companies don't pay taxes. Well, this is absolutely not true. Every business and every person is required to pay all tax demanded by their state and local government, and just about every business does. And those that don't can expect the tax man to come a knock'n.

Mr. President, my amendment would only continue the current moratorium. It does not abolish any sales or use tax nor does it prevent any government from taking or even increasing sales or use taxes on its own residents. And it also prohibits local or state government in one state from imposing a tax on businesses or people in another state without a proper nexus—nor could they impose a national sales tax.

If we don't pass this legislation, businesses will not only be subject to the state and local governments from which they reside, but could be open to nearly 30,000 state, local, and municipal cities and towns looking to squeeze businesses and individuals for a few extra dollars.

Indeed, the vast array of federal, state, and even international bureaucrats needed to implement these programs and regulations would add on enormous amount of cost, paperwork and redtape which would not only hinder commerce and growth, but will crush small businesses.

Local governments argue that if they can require so-called brick and mortar businesses to pay sales taxes on main street, then they should be allowed to force business men and women in other states to collect these taxes as well.

Well, I disagree. And the Supreme Court disagrees as well. In *National Bellas Hess v. Illinois* (1967), *Complete Auto Transit, Inc. v. Brady* 333 (1977), and the Supreme Court's ruling in *Quill v. North Dakota*, 1992 held that states attempting to tax out-of-state commerce without a proper nexus was unconstitutional. By allowing states to tax businesses and people in another state, and if we establish a national sales tax, we do this at our own peril.

Mr. President, we must say “no” to those who want to raise taxes—we must say “no” to those who want to tax the Internet—and we must say “no” to those who want a national sales tax.

Mr. President, I urge passage of my amendment.

Mr. President, I renew my request for the yeas and nays on the second degree.

The PRESIDING OFFICER. Is there a sufficient second? At the moment, there is not a sufficient second.

Mr. SMITH of New Hampshire. I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I rise to address the underlying amendment. It is a good idea. There is no reason for the exclusion of certain income under survivor benefits with respect to persons who died before 1996. Sometimes those benefits are distributed after 1996, and I think the amendment offered by the Senator from New Hampshire is a good one.

I must say, I am a little bit surprised by the second-degree amendment. It is not an improvement on the first degree. It is an entirely different subject. It is a subject which is not in the jurisdiction of this committee. I urge the Senator, frankly, to withdraw it or maybe offer the amendment later on. We have not debated that issue at any length. At least with respect to the underlying amendment, I think the Senator has a good idea.

Mrs. CARNAHAN. Mr. President, I would like to take a moment to explain that while I wholeheartedly support extending the current moratorium on Internet access taxes, I must oppose this amendment.

I believe that we should, and I am confident that we will, pass legislation this year that extends the moratorium on Internet access taxes. However, I think it is crucial that the legislation we pass to extend the ban on access taxes also address the ability of states to require remote sellers to collect and remit sales taxes.

The Internet is still a growing and dynamic innovation and I believe that we must ensure that its development is not encumbered by discriminatory taxation. However, as the Internet becomes an increasingly important medium for the transaction of commerce, an unlevel playing field is emerging. While sales transacted at main street businesses are subject to state sales taxes, goods sold over the Internet are often free of such taxes.

This creates two distinct problems. First, brick-and-mortar retailers are being subjected to a competitive disadvantage as consumers are able to purchase goods over the Internet without having to pay state sales tax on them. This situation provides a disincentive to shop at traditional retail locations and could have very negative long-term consequences for main street retailers.

The second problem is that state and local governments rely on sales tax revenues for education, transportation infrastructure, law enforcement services, fire protection and more. The rise in untaxed electronic commerce is

eroding state and local governments' revenue bases and may eventually compromise their ability to provide these essential services.

Therefore I believe that we must address the issue of the collection of state sales taxes, and I fear that if this amendment is adopted, the impetus to deal with such issues will be diminished.

I look forward to the opportunity to support an extension to the current moratorium in the context of a larger bill that also deals with the ability of states to require remote sellers to collect and remit sales taxes.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, on behalf of Senator KENNEDY, I call up amendment No. 684.

The PRESIDING OFFICER. There is still time remaining on the second-degree amendment—25 seconds.

Mr. BAUCUS. If the Senator from New Hampshire is willing, I am willing to yield back the remainder of our time on both the first- and second-degree amendments.

Mr. SMITH of New Hampshire. Mr. President, I yield back.

Mr. BAUCUS. I yield back the remainder of our time as well.

The PRESIDING OFFICER. All time is yielded back.

#### AMENDMENT NO. 684

Mr. REID. Mr. President, I call up amendment No. 684.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID], for Mr. KENNEDY, for himself, Mr. DODD, and Mr. JOHNSON, proposes an amendment numbered 684.

Mr. REID. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 9, between lines 14 and 15, insert:

“(4) DELAY OF TOP RATE REDUCTION.—

“(A) IN GENERAL.—Notwithstanding paragraph (2), with respect to a calendar year, no percentage described in that paragraph shall be substituted for 39.6 percent until the requirement of subparagraph (B) is met.

“(B) FULLY FUNDING BASIC EDUCATION SERVICES.—The requirement of this subparagraph is that legislation be enacted that appropriates funds for core education programs at or above the levels that have been authorized for such programs by the Senate in the following amendments to Senate bill 1 (the Better Education for Students and Teachers Act, 107th Congress):

“(i) Senate Amendment 360 (107th Congress; as offered by Senator Hagel and Senator Harkin), which passed the Senate on a voice vote with no dissenters, to honor the Federal commitment to provide States with 40 percent of the cost of implementing the Individuals with Disabilities Education Act, instead of the 17 percent of costs that the Federal Government currently provides.

“(ii) Senate Amendment 365 (107th Congress; as offered by Senator Dodd), which passed the Senate on a vote of 79 to 21, to provide support under title I of the Elementary and Secondary Education Act of 1965 (as

amended by the Better Education for Students and Teachers Act) for 100 percent of the economically disadvantaged children by 2008 rather than the 33 percent who are currently aided under such title.

“(iii) Senate Amendment 375 (107th Congress; as offered by Senator Kennedy), which passed the Senate on a vote of 69 to 31, to improve teacher quality for all students under the bipartisan agreement reflected in part A of title II of the Elementary and Secondary Education Act of 1965 (as amended by the Better Education for Students and Teachers Act).

“(iv) Senate Amendment 451 (107th Congress; as offered by Senator Lincoln), which passed the Senate on a vote of 62 to 34, to improve the quality of education available to bilingual students with limited English proficiency, especially in light of the nation's growing immigrant population.

“(v) Senate Amendment 563 (107th Congress; as offered by Senator Boxer), which passed the Senate on a vote of 60 to 39, to ensure that more of the nation's 7,000,000 latchkey children have access to safe, constructive activities after school while their parents are at work.

Mr. REID. Mr. President, because supporters of this bill assert that the size of the total tax cut is not so large as to prevent adequate funding of the nation's education needs, and prior to passage of this tax cut, many of this tax cut's supporters also voted to pass education amendments that anticipate meeting the nation's core education funding needs, it is the purpose of this amendment to provide that reductions of the top marginal income tax rate will not take effect unless funding is provided at the levels authorized in amendments to Senate bill 1, the Better Education for Students and Teachers Act, 107th Congress, that have been adopted by the Senate with respect to the Individuals With Disabilities Education Act, title I, State Grants for Disadvantaged Students, and part A of title II, Teacher Quality, of the Elementary and Secondary Education Act of 1965, as amended by the Better Education for Students and Teachers Act, and provisions of such Act concerning the education of students with limited English proficiency, and after school care in 21st Century Learning Centers.

I yield back the time on this amendment.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Very briefly, Mr. President, to help clarify where the managers of the bill are on this amendment, I think it is a very good amendment, but I cannot agree to it. Essentially, it is conditional. It violates the Constitution. This is not the time and place for this particular amendment, even though it is meritorious, not on this bill.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AMENDMENT NO. 724

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Wisconsin (Mr. FEINGOLD), for himself and Mr. KOHL, proposes an amendment numbered 724.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To eliminate the Medicaid death tax)

On page 314, after line 21, add the following:

**SEC. 803. ELIMINATION OF MEDICAID ESTATE RECOVERY REQUIREMENT.**

(a) MEDICAID AMENDMENT.—

(1) IN GENERAL.—Section 1396p(b) of Title 42, U.S.C., is amended—

(A) in paragraph (1), by striking “except that” and all that follows and inserting “except that, in the case of an individual described in subsection (a)(1)(B), the State shall seek adjustment or recovery upon sale of the property subject to a lien imposed on account of medical assistance paid on behalf of the individual.”;

(B) in paragraph (2)(B), by striking “in the case of a lien on an individual’s home under subsection (a)(1)(B).”;

(C) in paragraph (3), by striking “(other than paragraph (1)(C))”;

(D) by striking paragraph (4).

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to individuals dying on or after the date of enactment of this Act.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reductions of the rates of tax under section 2001(c) of the Internal Revenue Code of 1986 (as amended by section 511 of this Act) with respect to estates of decedents dying and gifts made in such manner as to increase revenues by \$120,000,000 in each fiscal year beginning before October 1, 2011.

Mr. FEINGOLD. Mr. President, my amendment would eliminate the Medicaid Estate Recovery Program, the real “death tax” for thousands of elderly of modest means. It offsets the cost of eliminating this program by shaving back the reductions in the estate tax rates.

The Medicaid Estate Recovery Program may be the most regressive tax of all. It effectively imposes a 100 percent estate tax on our most vulnerable citizens—severely disabled seniors who are impoverished. It is levied against the first dollar of the estate’s value.

At a time when we are considering completely eliminating all estate taxes on the super wealthy, it is indecent to retain a 100 percent tax on the estates of those with practically nothing.

The average annual cost of nursing home care is about \$40,000 or about \$110 per day. That cost poses an enormous burden on many elderly or disabled individuals, many of whom are forced to spend down a lifetime’s savings before they become poor enough to qualify for Medicaid. After having spent down those savings, a home may be the only

thing they have left to leave to their children.

The estate recovery program not only places liens on homes, I also understand that personal property may be at risk in some areas. Grandma’s locket may have little material worth but may have great sentimental value to children and grandchildren. Nevertheless, they may go on the block, too, and there is strong anecdotal evidence that many forgo needed care in order to avoid losing their homes and personal property to the estate recovery program.

The estate recovery program does little to offset the cost of Medicaid, accounting for only one-tenth of one percent of the funding for the program according to data from the Congressional Research Service.

In fact, there is reason to believe that the estate recovery program may not even achieve this tiny savings, but instead may actually result in greater Medicaid expenditures. Individuals who forgo nursing home care to avoid liens on their homes and personal keepsakes may end up requiring far more expensive care as a result, and the ensuing higher cost of care only leaves the taxpayers worse off because of this self-neglect.

The estate recovery program can work a real hardship on surviving spouses. After surviving the chronic illness of their loved one, and spending down their life’s savings, they then must cope with a lien on their home. As the Congressional Research Service notes, though claims on an individual’s estate cannot be acted upon until after the death of the surviving spouse, liens placed on houses can affect an individual’s financial credit, preventing that spouse from mortgaging property, getting a bank loan, or taking out a new credit card in order to pay for essential living expenses such as home repairs like a new furnace or a leaking roof.

This program turns States into Realtors and pawn brokers. Some States have simply not implemented the program, and I understand that among them is the President’s home State of Texas. Under my amendment the rest of the country would conform to the practice of Texas.

Mr. President, my amendment gets States out of the real estate business. It ends a program that dissuades elderly with severe disabilities from seeking the care they need while generating a pitifully small revenue stream. It ends the 100 percent “death tax” that is imposed on families with the most modest means.

I urge my colleagues to support this amendment.

Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, since there is nobody on the other side, I think somebody should be here before we do this.

Mr. FEINGOLD. Mr. President, it was for that reason that I did not ask for the yeas and nays on my amendment.

Mr. REID. I wonder if we could have someone on the other side. It is really unfair without someone being over there.

Mr. BAUCUS. Mr. President, if there is some way we could work out waiting for a couple minutes so the chairman of the committee could be here, I think that would be appropriate.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that I be recognized at that point.

Mr. REID. Reserving the right to object, I say to my friend from Wisconsin, we are going to run out of time at 4 o’clock and have to go to 4:08; is that correct?

The PRESIDING OFFICER. The vote is scheduled at 6:08, and there is to have been 2 hours prior to the vote.

Mr. REID. Remember, at 6 o’clock the debate was supposed to start with Senator JUDD GREGG having 5 minutes and Senator BAUCUS 3 minutes.

The PRESIDING OFFICER. The Senator is correct. The Parliamentarian is incorrect.

Mr. REID. I will make sure that, under leader time, the Senator from Wisconsin is protected to offer his amendments.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, if there is some problem that I find at a later time, Senator BAUCUS and I find with Senator GRASSLEY not being here, it appears all Senator FEINGOLD is doing is offering amendments, just as Senator SMITH did and Senator MCCAIN. Having had the break, I don’t see anything wrong with that. If anyone does, we will find out about it later.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I ask unanimous consent that the current amendment be set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AMENDMENT NO. 725

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment numbered 725.

Mr. FEINGOLD. I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To increase the income limits applicable to the 10 percent rate bracket for individual income taxes)

On page 7, line 24, strike "\$12,000" and insert "\$15,000".

On page 8, line 1, strike "\$10,000" and insert "\$11,250".

On page 9, in the table between lines 11 and 12, strike column relating to 39.6 percent.

Mr. FEINGOLD. Mr. President, this amendment is about tax fairness.

The bill before us is tilted heavily toward high-income taxpayers. According to Citizens for Tax Justice, when this bill's tax cuts are fully phased in, the highest-income one percent of taxpayers would receive 35 percent of the benefits of the bill. The majority of taxpayers in the bottom three-fifths of the population would get only a little more than 15 percent of the bill's benefits.

When this bill's tax cuts are fully phased in, the one percent of taxpayers with the highest incomes would receive an average tax cut of more than \$44,000, while taxpayers in the middle fifth of the population would receive an average tax cut of less than \$600.

Even as a share of their income, those with the highest incomes would receive greater benefits under this bill. According to the Center on Budget and Policy Priorities, when fully phased in, this bill's tax cuts would increase the after-tax income of the highest-income one percent of families by an average of 5 percent, but it would increase the average after-tax income of the middle fifth of families by just a little more than 2 percent.

Nationwide, only 907,990 taxpayers, or 7/10 of a percent of taxpayers are in the top tax bracket. But that group is not too small to capture the attentions of this tax bill. In response to an inquiry from Senator ROCKEFELLER during the Finance Committee markup on Tuesday, the Joint Committee on Taxation indicated that reducing the top rate from 39.6 percent to 36 percent in steps over 10 years costs \$120 billion in this bill. That's \$120 billion for fewer than a million taxpayers. In contrast, fully 128 million taxpayers do not fall into the top tax bracket and would get no benefits whatsoever from the reduction in the top tax rate.

In my own State of Wisconsin, fewer than 15,600 taxpayers, or 7/10 of a percent of taxpayers, are in the top tax bracket, and fully 2.5 million taxpayers are not in the top tax bracket.

My amendment is a simple one. It would strike the cut in the top income tax rate, and use the savings to increase the amount of income covered by the 10 percent income tax bracket. It would thus reduce the already large benefits to that less than one percent of the population with incomes of more than \$297,000, and use the savings to give tax cuts to all income taxpayers.

Mr. President, this amendment would restore a modicum of fairness to this bill, and I urge my colleagues to support it.

Mr. President, I ask unanimous consent that the pending amendment be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

MOTION TO COMMIT WITH INSTRUCTIONS

Mr. FEINGOLD. Mr. President, I send a motion to commit to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] moves to commit the bill to the Finance Committee with instructions that the Committee report the bill back within 3 days, with changes that would strike all the estate tax rate reductions in the bill and use the savings to expand the amounts of the estate tax unified credit exemption amounts.

Mr. FEINGOLD. Mr. President, it is no secret that the benefits of this bill are not fairly distributed. The highest-income one percent receive 35 percent of this bill's benefits.

A significant contributor to this imbalance is the estate tax provisions of the bill. Even under current law, roughly 98 percent of Americans will never have to pay a cent of estate tax. So this bill's \$145 billion in estate tax cuts will benefit only the wealthiest 2 percent of Americans, and will have no benefit for the other 98 percent of us.

But even in the estate tax provisions themselves, this bill tilts unnecessarily to the very wealthiest.

The bill would increase the unified credit exemption up to \$4 million a person, or \$8 million a couple. This change alone will exempt all but the very wealthiest Americans from any contact with the estate tax.

But the bill goes further. It would also reduce the rate of taxation that the few extremely wealthy families who still have to pay the estate tax would pay. It thus focuses tax cuts on the very pinnacle of wealth.

Let me give you an idea of the numbers. According to an analysis done by the Center on Budget and Policy Priorities, fewer than 50,000 families in the entire United States paid any estate tax at all in 1999. But of those families, fewer than 3,300 families had estates larger than \$5 million in size. These small numbers are indicative of the very few who would benefit from the rate reductions in this bill.

My motion to recommit would spread the estate tax relief in this bill more broadly. My motion would instruct the Finance Committee to strike all the estate tax rate reductions in the bill and use the savings to expand the amounts of the estate tax unified credit exemption amounts. Thus under my motion, more relatively smaller estates would be exempted from taxation altogether. I have been told that elimination of the rate reductions would allow the unified credit exemption to increase to \$5 million, or \$10 million a couple.

This motion would give complete estate tax relief to more families earlier than the underlying bill.

That is the direction we should go, and I urge my colleagues to support it.

Madam President, I ask unanimous consent that the pending amendment be temporarily set aside.

The PRESIDING OFFICER (Ms. COLLINS). Without objection, it is so ordered.

AMENDMENT NO. 726

Mr. FEINGOLD. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment number 726.

Mr. FEINGOLD. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To preserve the estate tax for estates of more than \$100 million in size and increase the income limits applicable to the 10 percent rate bracket for individual income taxes)

On page 9, between lines 4 and 5, insert the following:

“(D) ADJUSTMENTS AFTER 2010.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar year 2011, the Secretary shall, in addition to the adjustments made under subparagraph (C) of this subsection, increase the initial bracket amounts for subsection (a) and subsection (b) so as to decrease revenues by the amount of revenues generated by the other provisions of the amendment creating this provision.”

On page 63, strike line 4 and all that follows through page 64, line 16.

On page 65, in line 12, strike “and before 2011”.

On page 66, in the table after line 1, strike “2007, 2008, 2009, and 2010” and insert “2007 and thereafter”.

On page 68, between lines 14 and 15, following the item relating to 2010, insert the following:

2011 and thereafter .....\$100,000,000

On page 106, after line 6, insert the following:

“(g) Notwithstanding any other provision of law, this subtitle shall not apply to property subject to the estate tax.”

Mr. FEINGOLD. Madam President, this is a simple amendment. It limits the estate tax repeal for estates of over one hundred million dollars and uses the savings to give tax cuts to all income tax payers.

This debate is about priorities. It is a debate about where we should devote our resources.

This amendment provides a clear, easily definable choice.

The Senate has indicated that reforming the estate tax, especially for small businesses and farms, should be a priority. I support that goal, but this bill goes much further than any reasonable limit to address that concern.

This bill goes beyond any common-sense definition of small businesses or modest estates. This bill provides massive amounts to money tax cuts to extremely wealthy multi-millionaires.

How can anyone suggest that distributing the nation's hard-won surplus to

multi-millionaires should be among our highest priorities? Literally hundreds of millions of Americans have more pressing needs.

Specific tax cuts or spending increases come with a price. Every time we lower a tax rate or create a new tax loophole, the tax burden on everyone else increases.

Last year, the Treasury Department's Office of Tax Policy told us how much we would have saved from our amendment to cap the estate tax repeal at estates of \$100 million in size. At that time, their most current data was for 1998, for people who died in 1997 and paid taxes in 1998. In that year, 35 estates amounted to more than \$100 million. Of those, 31 paid taxes, and 4 did not. Those 31 estates paid \$1.4 billion in taxes, or 7 percent of all estate taxes. Repealing the estate tax for those estates would have given those estates a tax cut averaging \$45 million each.

Too often, the choices we weigh are heartbreakingly difficult. This is not one of those cases.

It makes some sense to increase the current exemption on estates; it makes no sense at all to repeal the estate tax for the handful of estates over one hundred million dollars.

Madam President, surely the supporters of estate tax cuts must agree that eliminating the estate tax on those handful of estates over one hundred million dollars is not our highest priority or anywhere close to it.

My amendment eliminates the repeal of the estate tax on estates of more than \$100 million, and uses the savings to increase the income tax cut for all income tax payers. It is a simple choice.

Madam President, I ask unanimous consent that the Senate temporarily set aside the pending amendments.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FEINGOLD. I thank my colleagues.

Madam President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

At the moment, there is not a sufficient second.

Mr. REID. Which amendment is it?

Mr. FEINGOLD. The last one.

Madam President, I yield the floor.

AMENDMENT NO. 727

Mr. REID. Madam President, I send an amendment to the desk on behalf of Senator HARKIN and ask that the prior amendment be set aside.

The PRESIDING OFFICER. Without objection, the pending amendment is set aside.

The clerk will report.

The senior assistant bill clerk read as follows:

The Senator from Nevada [Mr. REID], FOR MR. HARKIN, proposes an amendment numbered 727.

Mr. REID. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To delay the effective date of the reductions in the tax rate relating to the highest rate bracket until the enactment of legislation that ensures the long-term solvency of the social security and medicare trust funds)

On page 11, strike lines 14 through 22 and insert the following:

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (6), (7), (8), (9), (10), and (11) of subsection (b) shall apply to amounts paid after the 60th day after the date of the enactment of this Act.

(3) ASSURANCE OF TRUST FUND SOLVENCY.—

(A) CBO CERTIFICATION.—The reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall not take effect unless the Congressional Budget Office submits to Congress and the Secretary of the Treasury a certification that legislation has been enacted that ensures the solvency of—

(i) the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for a period of not less than 75 years; and

(ii) the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund for a period of not less than 50 years.

(B) APPLICATION.—

(i) IN GENERAL.—Except as provided in clause (ii), the reductions in the tax rate relating to the highest rate bracket under the amendments made by this section shall begin with the rate for the taxable year beginning after the date on which the Congressional Budget Office submits the certification described in subparagraph (A).

(ii) RETROACTIVE APPLICATION.—If the Congressional Budget Office submits the certification described in subparagraph (A) before October 1, 2002, this subsection shall be applied as if this paragraph had not been enacted.

Mr. GRASSLEY. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

Mrs. LINCOLN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. BAUCUS. I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue with the call of the roll.

The senior assistant bill clerk continued the call of the roll.

Mrs. LINCOLN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. REID. Madam President, I yield 2 minutes to the Senator from Arkansas to offer an amendment.

The PRESIDING OFFICER. The Senator from Arkansas is recognized.

AMENDMENT NO. 711

Mrs. LINCOLN. Madam President, I have an amendment at the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Arkansas [Mrs. LINCOLN] proposes an amendment numbered 711.

Mrs. LINCOLN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To eliminate expenditures for tuition, fees, and room and board as qualified elementary and secondary education expenses for distributions made from education individual retirement accounts)

On page 31, line 1, strike "tuition, fees,".

On page 31, line 11, strike "room and board,".

Mrs. LINCOLN. Madam President, the amendment that I am offering strikes the provision within the education savings accounts language that covers K-12 tuition, fees and room and board expenses while permitting the use of ESA tax savings for other education-related expenses for all students. This amendment will create a level playing field by providing the same tax benefits to all parents regardless of where they send their children to school.

Under my amendment, all parents will be able to take advantage of ESA accounts for K-12 related expenses to buy computers, uniforms, or other items that children use to supplement or further their education. In short, it treats all parents equally.

Using ESA accounts for private school tuition is simply vouchers by another name. While I strongly believe in a parents' right to choose a public school education or private school education for their children, I am concerned that providing a tax incentive to pay private school tuition will divert the attention and resources needed to improve our public schools.

Strengthening our public schools should be a priority for all of us. The philosopher Edmund Burke once said that "education is the cheap defense of nations." How true that is. If we are to continue our role as a world leader, we've got to make sure all of our children are prepared to pick up where we leave off. So in my view, education is a national security issue and an economic one as well.

Many of you know that rural development is a priority for me, and I am continually looking for ways to bring jobs to the impoverished Delta region where I grew up. Whenever I meet with industry folks and urge them to consider the Delta, one of their first questions is: "How are the public schools?" They don't ask about the private schools, just the public schools. To attract industry anywhere in this country, we've got to have strong public schools.

My amendment isn't the silver bullet. It is about crafting tax policy that recognizes the important role public schools play in our communities, especially rural communities in poor states like Arkansas.

As a proud graduate of public schools of Arkansas, I have enormous faith in our system of public education. And I

offer this amendment today, Madam President, because I am passionate about fulfilling our responsibility at the federal level to give schools and parents the support and resources they need to be successful.

I urge my colleagues to resist the false promise the current ESA provision provides to parents and public schools and support a tax policy that treat all parents equally.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

The Senator from Montana.

Mr. BAUCUS. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REID. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. I ask that when I suggest the absence of a quorum momentarily, the time run equally against both sides.

The PRESIDING OFFICER. Is there objection?

Mr. GRASSLEY. Starting now, the 2 hours is evenly divided.

Mr. REID. That is right, except for the 2 minutes we have already used.

Madam President, has the unanimous consent agreement been agreed to?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. GRASSLEY. Madam President, it has been suggested by some of those who are opposed to our legislation that the tax cuts are backloaded, and there is some legitimacy to that argument, although don't forget that the tax rate reduction that benefits most Americans—in fact, every income-tax payer in America—the new 10-percent bracket, going back to January 1, 2001, benefits everybody. From that standpoint, this legislation is very frontloaded. But we are dealing with a congressional budget resolution that was adopted earlier this month.

The budget surplus, excluding Social Security, will be \$2.3 trillion over the next 11 years. The proposed tax reductions over the next 11 years will be \$1.3 trillion of that \$2.3 trillion.

When one looks at the budget surplus and the tax cuts on a year-by-year basis, one will see that tax cuts are designed to stay within the available surplus each and every year. Twenty-nine percent of the budget surplus occurs over the next 5 years, and 29 percent of the tax cut is phased in over the next 5 years. Sixteen percent of the budget surplus occurs in the last year, while only 14 percent of the tax cuts occur the last year. In other words, the tax cuts are phased in to reflect the surpluses available to pay for them.

To the extent one argues that our bill is backloaded, our tax relief is frontloaded for the lower income taxpayers, particularly that 10-percent

new bracket about which I have been talking. The tax cuts for the higher income taxpayers who pay the bulk of the Federal tax burden come later.

The reason for this is we want to help lower income taxpayers first, and the tax surplus itself is phased in. So additional tax relief needs to wait until the year 2006. As a result, lower and middle-income taxpayers benefit by getting their money back first and for the time value of having that money in their pocket longer than higher rate taxpayers.

It amazes me; if we had \$1.6 trillion the President wanted for tax cuts, we would not have to backload some of these benefits. Wouldn't you know that the people who are complaining about backloading are the same ones who voted against the \$1.6 trillion tax cut authority that is in the budget resolution. They deny us the tools then to enact full tax cuts today and then complain because we have to wait a few years to make the tax cuts. These are the same people who, during the budget reconciliation debate, cried that 10-year projections are unreliable. Now they rely on 20-year projections to claim that our tax cut will have negative effects in the second 10 years.

It is a fictitious argument because the bill ends in 2011. Under Senate rules, the bill will not be in effect in the second 10 years.

We are about national priorities, but that issue was settled last week during the budget resolution debate. The budget resolution itself decides what our national priorities are. This bipartisan tax bill before us then is one part of the priorities the entire Senate set 2 weeks ago when we voted for the budget resolution by a vote of 52-48.

The Senate Finance Committee in this bipartisan tax bill is responding to the majority of the Senate in bringing this bill before us as one part of everything that was decided in that budget resolution.

We have had people tell us that we cannot rely on projected surpluses to pay for our tax cuts. However, the biggest threat to fiscal discipline is higher spending, not lower taxes. In 1997, Congress and the President agreed to cap discretionary spending in an effort to balance the Federal budget. Unfortunately, as Federal revenues rose to record levels and our deficits turned into surpluses, these spending caps were broken.

Since 1997, discretionary spending has exceeded the budget caps by \$272 billion. Over the next 10 years, discretionary spending will exceed the levels established in 1997 by \$1.3 trillion and, as one can see, that is so close to what this tax bill is that it is enough to pay for our entire tax reduction.

No one seems to worry about how unreliable the surplus projections are when we add trillions of dollars in higher spending to the Federal budget. It seems as if there is plenty of money in these 10-year projections if we want to appropriate money, spend more

money, but, lo and behold, we bring a tax bill before the Senate to let people keep the money they have earned rather than sending it to Washington, and somehow these 10-year budget projections we rely upon to make policy decisions are undependable.

I have come to the conclusion, or I would not be a part of this bipartisan tax bill, and I would not have voted for the budget agreement, that there is plenty of money from the tax surplus to give tax relief to working men and women and to do it in a way that is fiscally disciplined but, more importantly, imposes fiscal discipline on a lot of the big spenders around this Congress who think they know more how to handle the taxpayers' money than the taxpayers do, who believe if we spend more money, we are going to create more wealth.

Common sense dictates that the Government does not create wealth. Common sense dictates that individual Americans using the resources of their labor and their brain create wealth.

On the other hand, if that money were in the pockets of Members of Congress, it would burn a hole. So we return it to the taxpayers of America, and it allows them, through individual decisionmaking, to decide what they want to do with that money.

The process is going to turn over many more times in the economy, particularly if it is invested, than if we spend it in Washington in a political decision as to how the goods and services in our country ought to be distributed. It is better not to make a political decision but let the marketplace empower the individuals to make a choice. We are going to create more wealth, and the money is going to turn over more times in the economy that way and do more good.

We have also heard the accusation that we are raiding the trust funds. Some people continue to suggest that the tax cut will do this to the Social Security trust fund and the Medicare trust fund. Let me explain it this way.

The budget resolution for which I voted is the basis for this bipartisan tax bill and also, to some extent, what the President said in his budget to the Congress: We can fund our priorities, we can give tax relief to working men and women, we can preserve the Social Security trust fund and the Medicare trust fund, and we can pay down every dollar due on the national debt throughout the 10-year projection of our budget resolution.

There are people who disagree with that, but obviously the vast majority of this body understands that to be a fact.

Under current law, when Social Security and Medicare collect more than they spend—in other words, more income than outgo yearly in the Medicare trust fund and the Social Security trust fund—that money is invested in U.S. Government bonds. These bonds are held by the trust fund until needed to pay benefits. That will be roughly



2017 for Social Security, probably roughly 2010 for Medicare. In the case of Social Security, that will keep benefits at 100 percent, at least through the year 2037.

So when people talk about raiding the trust fund—I don't know whether this is their intent—they do mislead Americans. They want people to believe we are reducing the balance in the trust fund to pay for tax reduction. They know that is not true. The balance in the trust fund can only be reduced to pay for Social Security and Medicare benefits. The tax cuts cannot reduce the balance in the trust fund.

Once again, the chart emphasizes what I first said. It shows we will continue to have tax surpluses, indicated by the blue bar, each of the next 10 years. The tax cuts are the red bar and are a small part of each of those tax surpluses each year. We can see the charge of backload. Albeit we are giving relief to every taxpayer this year, in 2001, the tax reductions of this bill kick in over the next few years to reflect the growing tax surplus we have coming into the Federal Treasury.

I hope people see that as a responsible way to make sure we are able to fund our priorities, maintain the Social Security/Medicare trust funds, pay down every dollar due on the national debt over the next 10 years, and still give tax relief to working men and women.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I ask the Senator from North Dakota, does he have an amendment he wishes to offer?

Mr. CONRAD. I have amendments as discussed, for which we just received the scoring, so the amendments are being redrafted and will be here momentarily. I would like to talk about the bill if I may, and I ask for 10 minutes.

Mr. BAUCUS. I don't know if we have 10 minutes. There are a lot of Senators desiring to speak.

Mr. REID. I think the ranking member on the Budget Committee deserves 10 minutes. He indicated he would make sure you were adequately protected with time, and I told him you are.

I yield 10 minutes to the Senator from North Dakota.

Mr. GRASSLEY. I have several Members on my side of the aisle who want part of the 1 hour. I would like to know who they are and have them get over here and take up their share; otherwise, I will use it.

Mr. REID. I think the Senator from Iowa raises a very good point. We have attempted this afternoon to get people to offer amendments. We are about out of time. I say the same to people on my side of the aisle. Anyone who wants to speak or has an amendment to offer, time is just about gone.

The Senator from North Dakota is yielded 10 minutes.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. I thank Senator REID on behalf of the leadership for the time.

Madam President, the New York Times said it best of all: "More Tax-cut Follies." They made the point that while some of the provisions have been improved over what President Bush proposed, nonetheless, overall this bill amounts to "another gross abdication of fiscal responsibility." That sums it up. That is what this tax bill is, an abdication of fiscal responsibility.

Sometimes I wonder if we learn anything from history. If we look back at the Reagan, Bush, and Clinton administrations, we can go back to the time of the Reagan administration where we saw a proposal for a massive tax cut, a massive defense buildup, and an overall package that did not add up. The results were to absolutely explode the budget deficit of the United States. We went from an \$80 billion deficit to over \$200 billion. We quadrupled the national debt. Then President Bush came in and the deficits doubled again to nearly \$290 billion.

It was not until 1993, when we put in place a plan that actually raised income taxes on the wealthiest 1 percent and cut spending that we were able to get back on a path to fiscal responsibility, balancing the books. Then in 1997 we passed a bipartisan plan that finished the job that put us into surplus.

Madam President, it seems we are forgetting those lessons completely. We are now headed back to deficits, back to debt based on a rosy scenario, based on a massive tax cut, based on a massive defense buildup. The numbers we have not yet seen; they are not even part of the budget resolution; that is the fatal flaw of the budget resolution. We don't have the defense numbers. We don't have the money to strengthen Social Security even though President Bush says we should. We don't have the money to fix the alternative minimum tax. We don't have the money for item after item. The reason is, that when we get all those items together, we will find that the overall package does not add up.

The Philadelphia Inquirer said it well: "Tax-slashers at Work: Once Started, They Can't Seem to Stop."

Just like the frat brothers, the Senators are going through weird contortions. In the bipartisan mess of a bill that the committee worked on yesterday, one gimmick is to phase in ballyhooed tax breaks over periods as long as a decade.

With other tax breaks, the bill does the opposite trick: Providing tax relief right away, then supposedly ending it a few years down the road.

That is called backloading, and this bill is loaded with it. The bill costs \$1.35 trillion in the years 2001 to 2011. But look what happens in the second 10 years. It explodes. The cost goes up to over \$4 trillion. That is because item after item is back-loaded.

The estate tax is one example. The cost in the first 10 years is \$1.45 billion.

Look at what happens in the second 10 years when they completely eliminate the estate tax. The cost goes up to \$790 billion right at the time the baby boomers retire.

The same thing happens with the estate tax rate. The 2011 repeal masks massive costs. We can see the cliff effect of the estate tax.

It does not end there. It continues with the marriage penalty but in a different way. With the marriage penalty, they don't put it into place until the year 2004. There is no marriage penalty relief until then. Then they increase relief so it takes full effect in the year 2008.

But it doesn't stop there because they have done the same thing with the alternative minimum tax. They hide backloading by sunseting the alternative minimum tax relief right in the middle of the period. It is bizarre. They start out by providing alternative minimum tax relief, and then they take it away.

What will happen with the alternative minimum tax? We are going to go from 1.5 million people being affected by the alternative minimum tax to, when this bill passes, nearly 40 million people.

It is just not the back end loading that makes no sense; it is the lack of fairness. This bill we have before the Senate gives the top 20 percent of taxpayers 70 percent of the benefits. It gives the bottom 20 percent 1 percent of the benefits. It doesn't strike me as fair.

But the evidence of unfairness goes on and on. The top 1 percent gets twice as much of the benefits as the bottom 60 percent. The top 1 percent of taxpayers who earn on average \$1.1 million a year get 33.5 percent of the benefits. The bottom 60 percent of American taxpayers get 15 percent of the benefits, one-half as much.

The evidence of the unfairness in this bill is in item after item. Perhaps the most interesting part of this bill is the various rate brackets. There are five rate brackets. Every one of them gets rate relief except one. What do you think the one is? The one is the 15-percent bracket where 70 percent of American taxpayers are; 70 percent of American taxpayers get no rate relief under this bill. But as you go up the income ladder, you get more and more generous relief. The big bucks, the big benefits go to those at the very top. The biggest, highest income folks get the biggest rate relief of all. It is not fair.

We have heard discussion in this Chamber that it is a big improvement over what President Bush proposed. There is some improvement but not much. Under the Bush plan, the top 20 percent of taxpayers got 72 percent of the benefits. Under this plan, the top 20 percent get 70 percent of the benefits.

The other thing that has been said about this bill is it is a stimulus to lift the economy. There is precious little stimulus in this bill. We passed in the Senate \$85 billion of stimulus. What

came back from conference and what is in this bill is \$10 billion, \$10 billion in nearly a \$9 trillion economy. There is precious little stimulus in this bill.

As I pointed out, this bill is flawed in even more ways. The number of taxpayers affected by the alternative minimum tax explodes under this bill. Boy, are those folks in for a big surprise. Today, 1.5 million people are caught up in the alternative minimum tax. Under this bill, at the end of the 10-year period nearly 40 million people will be affected by the alternative minimum tax. Those folks, nearly 1 in 4 American taxpayers, are not getting a tax cut. They are going to get a tax increase. They are going to have it as a result of the flaws of this bill.

There has been a lot of talk that this bill is reducing the debt. It is reducing the publicly held debt. That is this red line on this chart. It will go from \$3.4 trillion today down to about \$800 billion. But another part of the debt is increasing. That is the debt that is owed to the trust funds of the United States. You can see that this debt is going to go from about \$2 trillion to over \$5.5 trillion. And the overall, the gross debt of the United States is actually increasing from \$5.6 trillion today, to \$6.7 trillion at the end of this 10-year period.

So all the talk about paying down debt, one part of the debt is being paid down, but the overall debt is actually increasing.

Here is the sad history of Federal debt. This is what has happened to it from 1950 to 1999. In 1981, the last time we followed the fiscal policy that is embraced by this bill, we saw the debt of the United States absolutely explode to \$5.6 trillion, which is where it is today. At the end of this period, the gross debt of the United States is going to be \$6.7 trillion. Here we are passing a massive tax cut. Shame on us. Shame on us for pushing this debt onto our kids. We are the ones who ran up this debt. This was during our time. This was on our watch. This is while we were in charge and we ran up this debt and it is going to continue.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. CONRAD. I ask my colleagues to think carefully and oppose this bill.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Madam President, I yield 7 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized.

Mr. SPECTER. Madam President, I thank my distinguished colleague from Iowa for yielding the time.

I am going to be submitting for the RECORD an amendment which would provide for a tax credit for clean coal technology research, but I am not going to be pressing for a vote at this time because of the very crowded calendar and the limitation of time for debate. But in an era when we are struggling with a national energy policy, it

is my view that we ought to be relying on coal as a major source of supply to avoid reliance on foreign oil, and to ease off on a great many of the controversies which are present as we look to oil exploration in a variety of places.

My own State, Pennsylvania, has some 7.2 billion tons of demonstrated reserves of anthracite coal in the northeastern part of the State and some 21.4 billion tons of demonstrated reserves of bituminous coal. Coal is spread across the United States in great supply. Notwithstanding the tremendous problems we are having in finding sources of energy, we have never developed coal as a source because of the problems with sulfur dioxide and the problems of pollution which we confronted in the Clean Air Act of 1990.

The legislation I would like to see enacted would provide a tax credit for clean coal technology research. The distinguished Senator from West Virginia, Mr. BYRD, has introduced legislation, S. 60, which provides a broader range of tax credits regarding which I have deferred to the Senator's proposed legislation. I only recently joined as a cosponsor to S. 60 because of some concerns which I had about the environmental aspects. But more recently there has been an addressing of those concerns, so I think what Senator BYRD seeks to accomplish in S. 60 is very sound.

In the reconciliation bill, as we all know, with the very limited period of time for debate, there is really not an opportunity to have the kind of exploration of this issue which is required. I have talked to a number of my colleagues about it and I am advised that in July, perhaps, there will be on the floor a tax bill and an energy bill which would provide a better opportunity for the in-depth discussion which this issue requires. But there is no doubt about the need for additional energy. There is no doubt about the problems from OPEC oil and from drilling in many places which have been proposed, with environmental concerns. There is no doubt that coal could provide the answer if we had clean coal technology and sufficient tax incentives for people to move to develop coal as an alternative.

Madam President, I ask unanimous consent a copy of this amendment be printed in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

(Purpose: To provide a business credit for 10 percent of research expenses regarding clean coal technology)

At the end of title VIII, add the following:  
**SEC. —. CREDIT FOR CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

**“SEC. 45G. CLEAN COAL TECHNOLOGY RESEARCH CREDIT.**

“(a) GENERAL RULE.—For purposes of section 38, the clean coal technology research

credit determined under this section for the taxable year is an amount equal to 10 percent of the excess (if any) of—

“(1) the qualified clean coal technology research expenses for the taxable year, over

“(2) the base amount.

“(b) QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—For purposes of this section—

“(1) QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualified clean coal technology research expenses’ means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied by substituting ‘clean coal technology research’ for ‘qualified research’ each place it appears in paragraphs (2) and (3) of such subsection.

“(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term ‘qualified clean coal technology research expenses’ shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(C) SPECIAL RULE.—For purposes of this paragraph, section 41 shall be deemed to remain in effect for periods after June 30, 2004.

“(2) CLEAN COAL TECHNOLOGY RESEARCH.—

“(A) IN GENERAL.—The term ‘clean coal technology research’ means research regarding the uses and development of clean coal technology.

“(B) CLEAN COAL TECHNOLOGY.—The term ‘clean coal technology’ means technology which—

“(i) uses coal to produce 45 percent or more of its thermal output as electricity, including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, or any other technology for the production of electricity,

“(ii) has a maximum design heat rate of not more than 9,000 Btu/kWh when the design coal has a heat content of more than 8,000 Btu per pound, and

“(iii) has a maximum design heat rate of not more than 10,500 Btu/kWh when the design coal has a heat content of 8,000 Btu per pound or less.

“(c) BASE AMOUNT.—For purposes of this section, the term ‘base amount’ means the amount which would be determined for the taxable year under section 41(c) (without regard to paragraph (4) thereof) if such subsection were applied by substituting ‘qualified clean coal technology research expenses’ for ‘qualified research expenses’ each place it appears.

“(d) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—Any qualified clean coal technology research expenses for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 for such taxable year.

“(e) SPECIAL RULES.—

“(1) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

“(2) ELECTION.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

“(3) COORDINATION WITH DEPARTMENT OF ENERGY PROGRAM.—The amount of any credit allowed a taxpayer under subsection (a) for the taxable year shall not be taken into account for purposes of determining the Federal share of any clean coal technology

project of such taxpayer receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.”.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) (relating to current year business credit), as amended by section 620, is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the clean coal technology research credit determined under section 45G.”.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, (relating to transitional rules) is amended by adding at the end the following new paragraph:

“(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the clean coal technology research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.”.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following new subsection:

“(d) CREDIT FOR QUALIFIED CLEAN COAL TECHNOLOGY RESEARCH EXPENSES.—

“(1) IN GENERAL.—No deduction or credit shall be allowed for that portion of the qualified clean coal technology research expenses (as defined in section 45G(b)) otherwise allowable as a deduction or credit for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45G(a).

“(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.”.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

“Sec. 45G. Clean coal technology research credit.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Mr. SPECTER. Since I have a few more minutes remaining, I would like to comment about the bill generally.

When President Bush established a target of \$1.6 trillion in a tax cut over a 10-year period, it was my view that it was a reasonable figure. It is very hard to pick out a figure without any precision, but I was prepared to follow the lead that President Bush had established which was based upon the projection of a surplus over the 10-year period of some \$5.6 trillion.

I have said before that I was willing to see the figure up to \$1.6 trillion. It has been reduced somewhat to \$1.350 trillion now over an 11-year period. I think that is an accommodation which is reasonable. The President and the Administration have come forward and accepted that as a reasonable allocation, but still, in my view, it depends upon that surplus materializing.

I am concerned about having a repeat of what happened with the Kemp-Roth legislation which was enacted in 1981, where we had substantial tax cuts. At the beginning of President Reagan’s

term, there was a national debt of \$1 trillion, and it escalated to \$4 trillion in the course of 8 years. I think that is a path which we do not want to repeat. A tax cut will stimulate the economy. I think it is useful, but at the same time we do not want to add to the national debt.

Paying down the deficit is also a very good way to stimulate the economy by eliminating the Government’s use of a portion of the capital and having it come into private hands. There have been quite a number of discussions about ways to have the so-called trigger mechanism, that if the surplus does not hold up, there will be a time for re-evaluation as to what we are doing with respect to the tax cut.

Of course, it is always possible for Congress to revisit this as a legislative matter. Although from my experience, I know it is much harder to get a tax increase—much, much harder to get a tax cut, and for good reason. The Government at the National, State, and local level now takes an enormous bite.

We had a battle in 1993, the first year of President Clinton’s administration, when I opposed the tax increase. However, I do think it is important to keep our eye on many balls at the same time, and on the ball to be sure that the surplus materializes.

I know the manager has given me 7 minutes, but I was negotiating for 10. So I will ask Senator GRASSLEY, if I could have his attention, for my other 3 minutes at this time.

Mr. GRASSLEY. Two minutes then. I have Senator GRAMM who needs some time. I grant the Senator 2 more minutes.

Mr. SPECTER. At the end of the 2 minutes, I will have to ask for another minute, I say to Senator GRASSLEY. It will take more time than the full allocation. How about 3 minutes? Going, going—

Mr. GRASSLEY. Please take 2 minutes.

Mr. SPECTER. The balance of my 3-minute speech, which will now be condensed, relates to a concern on the estate tax. I do believe the estate tax is burdensome. The exemption of \$675,000 is not realistic. We ought not to burden small businesses and the family farm with the threat of sale or disillusion or problems on the death of the principal. But, I do believe there is some ground where billionaires ought not to escape the estate tax.

I am not sure exactly what that figure is, but we do not want to create a situation for inherited wealth to eliminate incentives in America. It may be that \$100 million is an appropriate figure, perhaps even somewhat less.

Also, in the elimination of the estate tax, which is not triggered for some 11 years, there are some real problems which will be caused when there will be taxes on capital gains. Obviously, while we ought not to tax twice, we ought not to have a system where people avoid taxes entirely with the stepped-up basis. That is very complicated.

I am concerned generally with what may happen on unintended consequences. Once we start to deal in the tax field, the unintended consequences may take over. It is my hope that we can have some balance.

I see the Presiding Officer with the gavel, so I yield the floor.

The PRESIDING OFFICER. The Senator’s time has expired.

Who yields time?  
Mr. REID. Madam President, how much time does the minority have?

The PRESIDING OFFICER. The minority has 44½ minutes.

Mr. REID. And the majority?

The PRESIDING OFFICER. The majority has 31 minutes 44 seconds.

Mr. REID. The Senator from Massachusetts, Mr. KERRY, wishes to offer an amendment. I yield him 5 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts.

AMENDMENT NO. 721

Mr. KERRY. Madam President, I call up amendment No. 721.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:  
The Senator from Massachusetts (Mr. KERRY) proposes an amendment No. 721

The amendment is as follows:  
(Purpose: To exempt individual taxpayers with adjusted gross incomes below \$100,000 from the alternative minimum tax and modify the reduction in the top marginal rate)  
On page 9, between lines 11 and 12, strike the table and insert the following:

“In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004 ..	27%	30%	35%	39.1%
2005 and 2006 .....	26%	29%	34%	39.1%
2007 and 2008 .....	25%	28%	33%	39%
2009 and 2010 .....	25%	28%	33%	38%
2011 and thereafter .....	25%	28%	33%	37%

Strike section 701 and insert:  
**SEC. 701. ALTERNATIVE MINIMUM TAX EXEMPTION FOR CERTAIN INDIVIDUAL TAXPAYERS.**

(a) EXEMPTION.—Section 55 (relating to imposition of alternative minimum tax) is amended by adding at the end the following:

“(f) EXEMPTION FOR CERTAIN INDIVIDUALS.—“(1) REDUCTION IN TENTATIVE MINIMUM TAX.—

“(A) IN GENERAL.—In the case of an individual, the tentative minimum tax for any taxable year (determined without regard to this subsection) shall be reduced by the applicable percentage.

“(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage with respect to a taxpayer is 100 percent reduced (but not below zero) by 10 percentage points for each \$1,000 (or fraction thereof) by which the taxpayer’s adjusted gross income for the taxable year exceeds \$100,000.

“(2) PROSPECTIVE APPLICATION IF SUBSECTION CEASES TO APPLY.—If paragraph (1) applies to a taxpayer for any taxable year and then ceases to apply to a subsequent taxable year, the rules of paragraphs (2) through (5) of subsection (e) shall apply to the taxpayer to the extent such rules are applicable to individuals.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

Mr. KERRY. This is an amendment which seeks to address the problem of the alternative minimum tax in this bill. My amendment would exempt all taxpayers with incomes of \$100,000 or less from the alternative minimum tax, as it is known.

For millions of Americans, the tax cut under consideration today is a phantom tax cut. It is a phantom tax cut because some don't get it at the outset, and it is a phantom tax cut that, because of the alternative minimum tax, millions will be pushed into a tax bracket that they were never in previously, and that will take away from them the very tax cut they are being promised.

The alternative minimum tax was created, as we know, in 1969, to curtail the ability of high-income individuals to escape payment of income tax through various deductions, exclusions, and exemptions. It is effectively a separate tax system that rides parallel to the normal tax system. It was originally intended to prevent wealthier people from being able to make use of credits and deductions and thereby escape any tax liability whatsoever.

In 1998, we began to notice that something was happening that was unintended. There was an encroachment of the AMT on middle-class taxpayers. That year, our omnibus appropriations bill included a provision allowing taxpayers to claim personal tax credits—such as the HOPE and lifetime learning credits, as well as the adoption credit—without being pushed into the AMT liability. In 1999, we extended this provision through this year.

Last year, about \$1.3 billion taxpayers confronted AMT liability. Under the current law, that number would climb to over 17 million taxpayers in 2010. But under the bill before us, the number of taxpayers subject to the AMT will climb to nearly 40 million by 2011. As a result, overall alternative minimum tax liability will rise from about \$6 billion in the year 2000 to nearly \$40 billion in 2010.

The increase in AMT liability, for the most part, is attributable to inflation, but unlike the AMT, the regular tax system is indexed for inflation. The AMT is not. The personal exemptions, standard deduction, and tax brackets increase annually. Under the AMT, the exemption amounts and the tax brackets remain constant. Thus, every year taxpayers whose incomes rise with inflation are taxed at the same rate under the regular income tax but they are increasingly penalized by the AMT.

It is simply fraudulent to say in this tax bill that we are offering a great number of Americans tax relief when we know we are pushing millions of Americans into the alternative minimum tax. That is No. 1.

Secondly, everybody knows this is coming down the road, and yet we are under the limits of the total tax cut of \$1.35 trillion. We know there is going to be a cost of several hundred billion over a number of years in order to pay

for the tax cut we are giving because the consequence of this tax cut is to create a liability on the AMT. But lo and behold, we do not pay for it. That means, once again, the Congress is prepared to defer the tough decisions from today into the future. And everybody knows what will happen in the future. That will, indeed, be dealt with, and it will mean it is a much larger tax cut than is even being promised to the American people today.

For taxpayers, navigating the maze of AMT rules is a significant administrative burden. The National Taxpayer Advocate at the IRS ranks the AMT as one of the most burdensome areas of tax law. To comply with the AMT, taxpayers must compute their regular tax liability and then recalculate their AMT liability using a different base of income, different exemptions, and different tax rates.

The AMT also applies different treatments to certain income deductions, exclusions, and credits that may be used by taxpayers under the regular income tax. In essence, taxpayers are required to apply two methods of accounting—one for the regular tax and one for the AMT.

If Congress fails to adequately address the AMT problem, the coverage will gradually shift from higher income taxpayers to more and more middle-class American taxpayers in States with high income and property taxes, such as States like Massachusetts that are particularly hard hit, because under the AMT, taxpayers are prohibited from deducting State and local taxes. In addition, as the grasp of the AMT spreads, incentives in the regular tax systems, such as the HOPE and the lifetime learning credits, and the adoption credit, completely lose their effectiveness. Not only do we create a liability, but we undo a benefit that we have put into effect previously.

Madam President, the amendment I am proposing today would ensure that the AMT never touches the vast majority of middle-class Americans. It is simple and straightforward. It exempts all taxpayers with incomes of \$100,000 or less from the AMT.

As many employees in high-tech firms have already learned, stock options are another item treated differently under the AMT.

The Joint Committee on Taxation, in its recent tax simplification report, recommended complete repeal of the alternative minimum tax. The committee stated in its report, "the alternative minimum tax can be a trap for the unwary, especially for large families, and creates disparate treatment of taxpayers depending on where they live."

Despite the overwhelming sentiment against the AMT, the legislation before us moves in the opposite direction. While the bill would provide some limited AMT relief through 2006, all such relief would be repealed in 2007.

Even with the purported AMT fix in the bill before us, during the next five

years, the number of taxpayers subject to the AMT will continue to rise steadily—nearly doubling next year alone. In 2002, as a result of the bill before us—with its combination of significant rate reductions and limited AMT relief—thousands of taxpayers will find themselves confronted for the first time by the AMT. And during the second five years, the number of taxpayers subject to the AMT will explode, reaching nearly 40 million in 2011.

In short, the tax bill's proponents want to give Americans a tax cut with the right hand and take it away with the left hand. It is misleading—it is deceptive—and for millions of Americans, it is a phantom tax cut.

And finally, it is fiscally irresponsible. Nobody truly believes Congress will allow the AMT to hit 40 million taxpayers. But the solution has been put off for another day. When we finally deal with the problem, it will be expensive—perhaps costing as much as \$300 billion.

The amendment I am proposing today would ensure that the AMT never touches the vast majority of middle-class Americans. It is simple and straightforward. My amendment would exempt all taxpayers with incomes of \$100,000 or less from the AMT.

By exempting taxpayers with incomes below \$100,000 from the AMT, the amendment protects the original goal—to ensure that wealthy individuals do not entirely escape taxation—while also ensuring that the AMT will never touch the vast majority of middle-class taxpayers.

The Joint Committee on Taxation estimates that exempting taxpayers with incomes below \$100,000 from the alternative minimum tax will cost \$110 billion over the next ten years. That is a small price to pay to ensure that middle-class Americans are able to benefit from the proposed tax reduction.

The Joint Committee on Taxation further estimates that the amendment would eliminate AMT liability for 18 million taxpayers. If the amendment passes, 18 million middle-class taxpayers will be freed from the unintended burden of the alternative minimum tax.

We should not miss our opportunity to address the growing AMT problem. We should not wait. AMT reform deserves more than the token measures included in the bill before us. Anything less is misleading and fiscally irresponsible. I urge my colleagues to support my amendment.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, I yield 4 minutes to the Senator from Connecticut, Mr. LIEBERMAN, to offer an amendment.

The PRESIDING OFFICER. The Senator from Connecticut.

AMENDMENT NO. 693

Mr. LIEBERMAN. Madam President, I rise to speak on amendment No. 693 which would offer a rebate of \$300 to every taxpayer, income tax and payroll

taxpayer, in the United States within weeks of its passage.

Labels like conservative, liberal, or moderate are used very loosely in our politics and take on a new meaning from moment to moment. For example, the tax plan in the bill before us has been described as moderate or conservative. I have always understood the definition of "fiscal conservatism" or "moderation" to be centered on fiscal responsibility and balanced budgets.

This tax plan is not fiscally responsible because it wastes the projected surpluses the American people have earned on a too big tax cut, more than we can afford, a tax cut that will take us back into deficits and raise interest rates and, I fear, raise unemployment, and a tax cut that commits nothing of the non-Social Security and Medicare surpluses to pay down our national debt, which is still over \$3 trillion.

Because I consider myself a fiscal conservative or fiscal moderate, I will therefore vote against this tax bill.

I have been thinking of the bill in nutritional terms lately: The old line "you can have too much of a good thing," "you can eat too much of a good thing"—ice cream, for instance. It ultimately is not good for your system. We strive for a balanced diet.

This is an imbalanced budget proposal. Tax cuts are a good thing, but our economy can have too much of them. That is exactly what this bill does.

It leaves out business tax incentives, growth incentives, and it leaves out the kind of genuine short-term fiscal stimulus that our uncertain economy needs today and that was part of the budget resolution we adopted last month. Our plan adopted in the budget resolution was fair, fast, and fiscally responsible.

Unfortunately, the so-called stimulus included in this bill that is on the floor today does none of those things. It is not fair because it provides no relief to millions of Americans who do not pay income taxes. It is not fast because it is phased in over 11 years. And it is certainly not fiscally responsible because it is part of a budget-busting tax cut.

That is why this amendment offers a stimulus that is the real thing, a plan that will get cash into the hands of America's consumers and into the veins of our economy in a matter of weeks.

This amendment will reduce, as of July 1, the 15-percent rate for all income-tax payers to 10 percent, but it goes beyond that and sends a \$300 check to every American taxpayer, income tax or payroll tax. That means individuals would receive \$300; joint filers, husband and wife, couple, \$600; and it creates a separate category of rebate which is \$450 this year in a check to single heads of households.

This is the kind of relief and rebate America's workers and taxpayers and families need now. I urge my colleagues to support this amendment.

I thank the Chair.

The PRESIDING OFFICER. Is the Senator calling up his amendment?

Mr. LIEBERMAN. I was, indeed, calling up amendment No. 693.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows.

The Senator from Connecticut [Mr. LIEBERMAN], for himself and Mr. DASCHLE, proposes an amendment numbered 693.

Mr. LIEBERMAN. I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide immediate tax refund checks to help boost the economy and help families pay for higher gas prices and energy bills and to modify the reduction in the maximum marginal rate of tax)

On page 7, line 15, insert "(12.5 percent in taxable years beginning in 2001)" after "percent".

On page 13, between lines 15 and 16, insert the following:

**SEC. —. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.**

(a) REFUND.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application in the case of abatements, credits, and refunds) is amended by adding at the end the following new section:

**"SEC. 6428. REFUND OF INDIVIDUAL INCOME AND EMPLOYMENT TAXES.**

"(a) GENERAL RULE.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for any taxable year beginning in 2001, in an amount equal to the lesser of—

"(1) the amount of the taxpayer's liability for tax for the taxpayer's last taxable year beginning in calendar year 2000, or

"(2) the taxpayer's applicable amount.

"(b) LIABILITY FOR TAX.—For purposes of this section, the liability for tax for the taxable year shall be the sum of—

"(1) the excess (if any) of—

"(A) the sum of—

"(i) the taxpayer's regular tax liability (within the meaning of section 26(b)) for the taxable year, and

"(ii) the tax imposed by section 55(a) with respect to such taxpayer for the taxable year, over

"(B) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than sections 31, 33, and 34) for the taxable year, and

"(2) the taxes imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), and 3221(a) on amounts received by the taxpayer for the taxable year.

"(c) APPLICABLE AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The applicable amount for any taxpayer shall be determined under the following table:

<b>"In the case of a taxpayer described in:</b>	<b>The applicable amount is:</b>
Section 1(a) .....	\$600
Section 1(b) .....	\$450
Section 1(c) .....	\$300
Section 1(d) .....	\$300
Paragraph (2) .....	\$300.

"(2) TAXPAYERS WITH ONLY PAYROLL TAX LIABILITY.—A taxpayer is described in this paragraph if such taxpayer's liability for tax for the taxable year does not include any liability described in subsection (b)(1).

"(d) DATE PAYMENT DEEMED MADE.—

"(1) IN GENERAL.—The payment provided by this section shall be deemed made on the date of the enactment of this section.

"(2) REMITTANCE OF PAYMENT.—The Secretary shall remit to each taxpayer the payment described in paragraph (1) within 90 days after such date of enactment.

"(3) CLAIM FOR NONPAYMENT.—Any taxpayer who erroneously does not receive a payment described in paragraph (1) may make claim for such payment in a manner and at such time as the Secretary prescribes.

"(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

"(1) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins,

"(2) any estate or trust, or

"(3) any nonresident alien individual."

(2) DETERMINATION OF WITHHOLDING TABLES.—Section 3402(a) (relating to requirement of withholding) is amended by adding at the following new paragraph:

"(3) CHANGES MADE BY RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES (RELIEF) ACT OF 2001.—Notwithstanding the provisions of this subsection, the Secretary shall modify the tables and procedures under paragraph (1) to reflect the amendments made by section 101 of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001 with respect to the 10-percent rate bracket, and such modification shall take effect on July 1, 2001, as if the lowest rate of tax under section 1 (as amended by such section 101) was the 10-percent rate effective on such date."

(3) CONFORMING AMENDMENTS.—

(A) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period " or enacted by the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001".

(B) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

"Sec. 6428. Refund of individual income and employment taxes."

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) AMENDMENTS TO WITHHOLDING PROVISION.—The amendments made by paragraph (2) shall apply to amounts paid after June 30, 2001.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the reduction in the highest marginal tax rate in the table contained in section 1(i)(2) of the Internal Revenue Code of 1986, as added by section 101(a), as necessary to offset the decrease in revenues to the Treasury for each fiscal year resulting from the amendments made by subsection (a).

Mr. LIEBERMAN. Madam President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second at this time.

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield 10 minutes to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized for 10 minutes.

Mr. GRAMM. Madam President, I thank the distinguished chairman of the Finance Committee. I congratulate

him on the new leadership he has brought to the committee. I can't imagine a chairman doing a better job under more difficult circumstances. He has impressed everybody with his fairness to both Republican and Democrat Members.

I thank Senator BAUCUS for working with us on a bipartisan basis. The product before us is not perfect, but then we are not in the business of perfection. And there is still an opportunity to improve. I congratulate them.

There are four things I need to do, and I have only 10 minutes to do it so I am going to try, even though I speak very slowly, to do it quickly.

AMENDMENT NO. 736

Mr. GRAMM. First, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows.

The Senator from Texas [Mr. GRAMM] proposes an amendment numbered 736.

Mr. GRAMM. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To ensure debt reduction by providing for a mid-course review process)

At the appropriate place, insert the following:

**"SEC. . MID-COURSE REVIEW.**

"(a) IN GENERAL.—Notwithstanding any other provision of law, if at the end of fiscal year 2003 or 2010, the Secretary of the Treasury certifies that the actual reduction in debt held by the public since fiscal year 2001 is less than the actual surplus of the Old Age, Survivors, and Disability Insurance Trust Fund and the Medicare Federal Hospital Insurance Trust Fund since fiscal year 2001, any Member of Congress may introduce and may make a privileged motion to proceed to a bill that implements a mid-course review.

"(b) MID-COURSE REVIEW LEGISLATION.—To qualify under subsection (a), a bill must delay any provision of this Act or any subsequent Act that takes effect in fiscal year 2004 or 2011 and results in a revenue reduction or causes increased outlays through mandatory spending, and must also limit discretionary spending in fiscal year 2004 or 2011 to the level provided for the prior fiscal year plus an adjustment for inflation. It shall not be in order to consider any amendment to mid-course review legislation that does not affect spending and tax reductions proportionately.

"(c) PREVENTION OF UNINTENDED TAX INCREASES OR BENEFIT CUTS.—Notwithstanding any other provision of law, any provision of this Act or any subsequent Act that would be affected by the legislation described in subsection (b) shall become final if no mid-course review legislation is enacted into law.

Mr. GRAMM. Madam President, this is a very simple amendment. There will be a vote on a trigger amendment later. I am adamantly opposed to that. It is very poor economic policy for the Congress to put itself in a straitjacket where if we were in a recession in the future, we could lock America into a tax increase and, in the process, make the economy worse and potentially turn a recession into a depression.

Secondly, the trigger amendment which will be voted on later tonight, in addition to holding out the prospect of putting us in a straitjacket and having an automatic tax increase in a recession, holds out the prospect that Congress could literally spend itself into a tax increase without ever having to vote for the tax increase. What the amendment actually says is, if we are not meeting our deficit reduction targets, taxes would go up automatically.

There are only two reasons you would not meet the targets. One is you are spending a lot more money than you said you were going to spend in the budget, in which case we ought not to be rewarding profligate spending by pouring more gasoline on the fire with a tax increase to fund more spending. Or, two, we are in a recession and we don't want to turn a recession into a depression.

Knowing that my colleagues are determined to deal with this issue, I have put together an amendment that does it in a rational way. It has two mid-course reviews—one in 2003, one in 2010—that if we don't meet our debt reduction targets, if the Secretary of the Treasury certifies we don't, on a highly privileged basis a resolution would come before the Senate that would allow us to debate controlling spending and deferring the tax cut, but there would be a rational decision. And the tax cut would not become permanent until we have at least exercised that decision in terms of the decisions we make in the Senate to act or not act.

It is the rational way to do something. I hope my colleagues will look at doing it in that rational way.

I have covered triggers in my remarks. I am hoping that if the trigger amendment fails, that my amendment would be accepted. In fact, if the trigger amendment passed, I would still hope my amendment would be accepted.

There is an amendment before us that tries to say that there is something wrong with the way the President gave the tax cut to the lowest bracket. What the President did, instead of cutting the 15-percent rate, he gives enough money in tax cuts for the 15-percent bracket to cut it to 14 percent and then ultimately to 13 percent for everybody. But in trying to help lower income people, he creates a new bracket at 10 percent. The net result is, for the people in the lowest income part of the 15-percent bracket, he gives a 33-percent tax cut. For the people in the highest part of the 15-percent bracket, he gives a 9-percent tax cut. But the effect is exactly the same in terms of the dollars you pay in taxes as if you had lowered it from 14 to 13 percent for people in the highest part of the income bracket.

We have an amendment before us that has been offered by two of my Democrat colleagues that creates the impression that somehow there is something wrong with the President's plan because some people don't get a reduction in rates.

The fact is, they get a dramatic reduction in rates with the new 10-percent bracket. It is an incredible paradox that something that was aimed at helping the poorest workers in America the most is now held up by Democrats as an excuse to raise marginal tax rates on the highest income workers. I trust my colleagues will not fall for that poor, weak argument and that it will fail.

Here is my point. A, this is not a huge, irresponsible tax cut, this is a modest tax cut. Of every dollar we are going to send to Washington in the next 10 years under this bill, how much do we get back? If we had adopted the President's entire package, we would have gotten 6.2 cents. We are now talking about roughly 5.2 cents out of every dollar. How does that compare with the Kennedy tax cut? That was 12.6 cents out of every dollar, so it is less than half that size. The Reagan tax cut of 1981 was 18.7 cents out of every dollar. It is roughly a third that size. So we have a tax cut in 1961, 1981, and now in 2001 it is time for America to have a tax cut. This is a prudent, responsible tax cut.

It sounds large if your objective was to spend all this money. And we know our Democrat colleagues offered \$1 trillion of new spending proposals above the budget this year alone. Also, in the last 6 months, the Clinton administration approved, with the Congress, \$561 billion in new spending over the next 10 years—almost a third of the tax cut.

This is a tax cut America can afford. Even with a trillion dollars of new spending contained in the budget President Bush has proposed, we have a \$5.6 trillion surplus. When you take out the amount of the surplus that belongs to Social Security, it is \$3.1 trillion. The President asked for \$1.6 trillion. We are giving \$1.35 trillion. This tax cut is less than half of the unclaimed surplus of the Federal Government. Since when is giving half the money back to the people who earned it irresponsible? I say only if you intended to spend it is that irresponsible.

You have heard a lot of talk here about 45 percent of Americans get no income tax cut. Well, 45 percent of Americans don't pay any income taxes. Income taxes are for taxpayers. You have heard our colleagues talking about, the President of Microsoft is going to get a Lexus. He already has a Lexus. What we are trying to do is reduce the tax burden to promote investment and boost the economy.

Let me talk about the richest 1 percent, the most maligned people in America. The only kind of bigotry that is still acceptable in America is not bigotry based on race, or ethnicity, or religion; you are rightly ostracized by every right-thinking American if you have bigotry on that basis. But you can be bigoted on the basis of success. You can be bigoted against the successful and be not only accepted in America but embraced. I believe it is an outrage.

In 1981, the top 1 percent of income earners paid 17.9 percent of the tax burden. By 1989, it was 25.2. By 1993, it was 29. Today, 35.6 percent of all income taxes are paid by the top 1 percent of income earners. They earn 17 percent of the income, and they pay 35.6 percent of the taxes.

Now the President did not propose to reduce that percentage, he proposed raising it, because he cut the bottom bracket twice as much as the top bracket. So under his bill this would go up to over 36.5 percent. Do you know what our Democrat colleagues say? It is not enough. They want to pile a heavier and heavier burden on successful Americans. I think enough is enough. That ought to be rejected.

We have reduced the top rate to 36 percent here. It will go down in conference. I have tried, finally, to the extent I have had the time, to explain the fallacy of their proposal in terms people could understand. Here is a chart representing an alumni meeting, a class reunion of Dimmitt High School, class of 1951. They met in 1991, and they had a \$100 lunch. They had five people show up, and they decided to divide the cost up. Do you remember Kent Hance from the House? He is rich now. Kent paid \$60; Sally paid \$20; Lamont paid \$10; Sue paid \$10; and Joe, who has done poorly, paid zero.

Now they meet again, 10 years later, for their 50th reunion. The restaurant says: We are going to cut the rate \$50 because, gosh, it is their 50th high school reunion. They were paying \$100, and now they are only paying \$50. They say: All right, let's cut everybody's cost by 50 percent. So Kent pays \$30, Sally pays \$10, Lamont pays \$5, Sue pays \$5, and Joe doesn't pay anything. The Democrats say this is an outrage because poor Joe gets nothing back, even though the lunch cost has been cut in half, \$50, and \$30 went to Kent, \$10 went to Sally, \$5 went to Lamont, Sue got \$5, and poor Joe got zip. Is that not an outrage? So they want to break up the class reunion. Their proposal is: Let Kent pay \$50, Sally pay \$10, Lamont and Sue pay zero, but they have to give Joe \$10 back.

Would that make any sense to anybody? No.

Mr. President, I ask unanimous consent that the attached chart be included in the RECORD at the conclusion of my remarks.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DIMMITT HIGH SCHOOL, CLASS OF 1951

40TH REUNION, 1991  
(Total cost for lunch: \$100)

Alumnus	
Kent .....	\$60 3X Cost.
Sally .....	\$20 Full Cost.
Lamont .....	\$10 Half Cost.
Sue .....	\$10 Half Cost.
Joe .....	\$0 No Cost.

50TH REUNION, 2001  
(Total cost for lunch: \$50)

Standard reunion: Reduce all payments by 50%	Democratic reunion: Reduce all payments by \$10
Kent: \$30—3X Cost .....	\$50
Sally: \$10—Full Cost .....	\$10
Lamont: \$5—Half Cost .....	\$0
Sue: \$5—Half Cost .....	\$0
Joe: \$0—No Cost .....	-\$10 (Refund)

The PRESIDING OFFICER. The time of the Senator has expired.

The Senator from Nevada.

Mr. REID. Madam President, I yield 5 minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 5 minutes.

Mr. KENNEDY. Madam President, I think I have heard it all now. My good friend from Texas is talking about how outraged he is about the discrimination against the top 1 percent of taxpayers being an outrage.

This whole piece of legislation is really a question of a nation's priorities. That is basically what we are talking about. This tax proposal is irresponsible and unfair. It is irresponsible for the economic reasons that have been spelled out by our colleagues, and it is unfair in the way it distributes the resources in this country.

You don't have to be a mathematical genius to see the enormous disparities that are growing between the wealthiest and the neediest in our society. That has been developing over the period of the last 20 years. There has to be some relief for working families and the middle class. We agree with that. But I do think that the American people want to fund education priorities before they give the wealthiest individuals in our society the kinds of tax relief they are receiving.

What are the kinds of priorities? We talk about education being important. We have to bring focus and attention on the investment in our children because our children are our future. Investing in our children is, one, to make sure all children are going to be able to have a headstart experience and are eligible for it. We will have an amendment on that.

Secondly, we are going to have the funding for elementary and secondary education. That means we are going to commit to provide well-trained teachers in the classrooms of this country. We are going to give the option to local school districts to move to smaller class size. We are going to have after-school programs. We are going to also provide help to local communities that are meeting their responsibilities for special needs children. All of that is going to be included. We are going to defer the reduction and the highest rates in this proposal until we are able to implement those kinds of commitments.

There it is, Madam President. We will have a chance, on the one hand, to invest in our future, in our children, and say that this is a priority, and defer the reduction for the wealthiest individuals in our society.

This is a question of priorities. It is a question of choice.

Finally, I add my strongest support to the amendment that has been offered by Senator ROCKEFELLER. Again, it is a question of priorities. Do we really mean it when we say we want to provide a prescription drug benefit program for our seniors and for other needy people in our society?

This legislation does not do so. The Finance Committee and the Republican leadership knew how to do it precisely when they wanted the tax cut. They knew how to get it, and they set the time and dates to get it, but that is not so with regard to a prescription drug program. The Rockefeller amendment does so.

I hope our senior citizens know their interests are going to be voted on this afternoon; not only now, but we are going to have an additional series of votes to make sure this institution has an opportunity to make important choices.

This afternoon and tonight, one of the important choices will be: Are we going to really have a meaningful prescription drug program for the seniors in this country, which is absolutely essential, particularly when we realize about whom we are talking. We are talking about the average senior being 76 years old, widowed, and having important health needs that can be addressed by prescription drugs.

The Rockefeller amendment addresses that, and I again say this is an issue of choice. It is an issue of priorities. Do we want to say it is more important to invest in our children, invest in our future, defer the reductions for the wealthiest individuals who have done exceedingly well over the years? Do we want to make a commitment to our senior citizens in getting a prescription drug program?

Those are important priorities. Those are important choices. Those are issues that are going to be before the Senate. I am hopeful this body will reflect what is in the real national interest and support those amendments. I thank the Senator from Nevada.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Nevada.

Mr. REID. Mr. President, I offer 2 minutes to the Senator from Delaware, Mr. CARPER, and 2 minutes to the Senator from Rhode Island, Mr. CHAFEE. It is my understanding they have an amendment they will offer at a subsequent time, so 2 minutes to the Senator from Delaware and 2 minutes to the Senator from Rhode Island.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. CARPER. Mr. President, I thank the Senator for yielding. Later this evening, Senator CHAFEE and I will offer an amendment to the tax bill that

we believe is consistent with the budget resolution that passed this Chamber roughly a month ago with 65 affirmative votes, including votes of 15 Democrats, including this Senator.

That budget resolution provided for a tax cut over the next 10 years of about \$1.2 trillion, and it also provided for an extra \$300 billion above the baseline for educational programs, including Head Start, special education, title I, extra learning time programs.

When the budget resolution came back to us from conference, the tax cut had grown larger by about \$150 billion, and the education moneys we added were gone.

Senator CHAFEE and I will offer this amendment in an effort to get us back to where we thought we ought to be and still believe we ought to be as a body and as a country, and that is to have a tax cut of \$1.2 trillion over the next 10 years and provide an extra \$150 billion above the baseline for education funding.

I want to mention a couple provisions of the amendment. For example, we create a new 10-percent tax bracket that will be effective at the beginning of this year.

We also cut marginal rates for each of the other tax brackets by 1 percent. The lowest rate of 15 percent would drop to 14 percent. The top rate of 39.6 would come down to 38.6. It is an incremental approach to tax cutting that I believe is more reasonable.

We also anticipate further reductions later, but we visit with the new economic status a couple of years down the line and consider those further changes at that time.

We further propose to take the marriage penalty relief this bill offers, to move it up in time, provide estate tax relief, doubling the estate tax exclusion, and then indexing it to the rate of inflation as we go forward.

We double the child tax credit and make it partially refundable, provide a college tuition tax deduction of \$5,000 per year, and take the retirement savings incentives that are in this bill and include those in our own amendment.

The PRESIDING OFFICER. The Senator's 2 minutes have expired. The Senator from Rhode Island is recognized for 2 minutes.

Mr. CHAFEE. Mr. President, I commend Senator GRASSLEY and Senator BAUCUS for their hard work on this tax package. I know they have worked hard to forge a bipartisan tax package and worked hard to make that happen. However, I will join Senator CARPER in offering an amendment which will reduce the size of the tax cut to \$1.2 trillion.

The reason I join Senator CARPER is I believe there is a whole population forgotten in this tax debate, and that is the property-tax payer. Of course, one of the Federal mandates that is the hardest and most onerous on the property-tax payers is the special education costs.

The Supreme Court ruled in the early seventies that all students have to be

educated in the public school system. Congress acted by passing the Individuals with Disabilities Education Act which said we will get the funding up to 40 percent. Of course, we have never gotten above 12, 13, 14 percent, and there is a very onerous cost to the communities in property taxes.

We are proposing to reduce this to \$1.2 trillion which, of course, leaves about \$150 billion available for the property tax relief. That should be done on IDEA.

Property taxes are the most difficult on communities and on individuals because with an income tax, if one's fortunes decline, one pays less income tax. On a sales tax, if one does not want to purchase goods, one pays less in sales tax.

With a property tax, it is most onerous because it is always there. Whether your fortunes decline, lose a job, lose a spouse, the income part of your property-tax-paying abilities, and also if you become elderly and want to keep your house, of course, that property tax is always there.

We are not talking about taxes. We need help for the property-tax payers by leaving money available to give relief in IDEA, something we promised in the early seventies, passed in 1975, and we have not done it.

If we are not doing it with the surpluses we have, we will never do it. A vote for the Carper-Chafee amendment is a vote for property tax relief.

The PRESIDING OFFICER. The time of the Senator has expired.

The Senator from Nevada.

Mr. REID. Mr. President, I yield 10 minutes to the manager of the bill on the minority side, Senator BAUCUS from Montana, who has worked so hard for so many weeks on this legislation.

The PRESIDING OFFICER. The Senator from Montana is recognized for 10 minutes.

Mr. BAUCUS. Mr. President, I thank my good friend from Nevada who has worked very hard in maintaining order in the Chamber. He has done a terrific job, and I compliment him.

I start by expressing my respect for Senators, especially on the Democratic side, who made arguments against the bill and have proposed amendments to it.

As the chairman of the committee and I have both said, this bill is a compromise. It is not perfect. It is not what anybody would want if he or she were writing it, but it is a compromise. There has been a lot of give and take. Nobody got everything he or she wanted because that is what compromises are all about.

It is almost inevitable that there will be legitimate, good-faith disagreements about the resulting bill. This is a tax bill. There are lots of points of view. It is very complicated. There are going to be very passionate arguments made about various provisions of this bill on both sides.

On top of that, we have been debating under very stringent conditions; that

is, constraints of reconciliation. This debate is rushed. It is hard to get revenue estimates. Many Senators have come to me and said it is difficult to get revenue estimates from joint tax. I wish we were not in such a rush mode. I wish this bill could have been debated more thoroughly, but that is not with what we are faced. I understand the frustrations many of my colleagues have.

I also say the criticisms of the bill are very well intended. I appreciate how thoughtful Senators have been in this debate. I especially thank the Democratic leader. As my colleagues will soon hear, he is no fan of this bill, but while voicing his strong opinions, he has fully respected other points of view, and that, to my mind, is the essence of leadership, and I highly compliment him.

My point is this: This is a much better bill than that proposed by the administration.

Some may vote no against this bill because the amount is too high, there is not a tax cut not too great. I respect that. I think the amount in this bill could be a bit lower. I am concerned about the size of the tax cut, as well.

Given the budget resolution providing for \$1.35 trillion over 11 years, I think this is a much better bill than we would have had if Senator GRASSLEY and I had not been negotiating to get a compromise. Otherwise, we would be faced on this floor with another bill, a bill that is probably the administration bill or something very close to it.

I say to my friends, particularly on the Democratic side of the aisle, there are two choices. One is to vote against the bill because the tax cut is too large, a view which I respect; the other is to vote for it because it is a lot better than what we otherwise would be facing on the floor. It is much more progressive. There are many very good provisions in the bill. The education provisions, for example, the 10-percent bracket which is made retroactive to the beginning of this year. It is much better than the bill we otherwise would have.

The single biggest part of this tax cut is the \$435 billion provision that provides for a cut from the 15-percent rate to the 10-percent rate. That is the biggest single provision in this bill. As a consequence, 75 percent of this tax cut in this bill goes to people who earn \$75,000 or less. We also double the child credit and make it partly refundable, covering 16 million more children than the President's proposal. We expand and simplify the earned-income credit which may be the best program ever created to help lower income working families. These are for working families. This is not welfare but working families.

We include a \$35 billion package of education incentives. For the first time, one can deduct college tuition, up to \$5,000. That is a good start, one of which I think all will be proud. We expand IRAs, expand 401(k)s. We reduce



the marriage penalty. We address the Federal estate tax. These are a lot of the provisions.

What is the practical effect? Under this bill, every individual and family who pays income tax will get a tax cut. That is more than 100 million individuals and families. Another 10 million get a higher tax refund because of refundable credits. That reduces the payroll tax. There are a lot of Americans whose bigger tax is the payroll tax compared to income tax. That helps them directly.

Nineteen million taxpayers at the lower end of the income scale have marginal rates reduced from 15 percent to 10 percent. That is by a third. That is not an unimportant point. There is a lot of talk about the marginal rate, particularly at the top end. Let me repeat, for lower income taxpayers, the marginal rates, for 19 million taxpayers, are reduced by a full one-third. Not 1 percent but 33 percent.

Thirty million families get a higher child credit. For 10 million, the credit is refundable. Four million low-income couples benefit from expansion of the earned-income tax credit. Three million benefit from the higher standard deduction. Forty million couples get relief from the marriage penalty. That is 40 million, no small number. Two million taxpayers benefit from the IRA limits. Another 8 million benefit from the new low-income saver credit. Twelve million seniors pay lower taxes on their Social Security income.

I could go on. There are many other provisions in this bill that are very good. Some Senators criticized certain parts of the bill, but I think it is important to know there are also many provisions that are good in the bill, and those Senators who criticize the bill do not mention a lot of the provisions which I think otherwise they would also support.

The present proposal may have been targeted to upper income taxpayers. This bill is not. It is written in a balanced way, and it cuts taxes and creates incentives for all Americans.

All in all, taking both income and payroll taxes into account, this bill makes our tax system more progressive than the administration's bill. Every income group under \$75,000 will pay a lower percentage of their overall tax burden. Every income group over \$100,000 will pay a higher percentage of the overall tax burden than contained in the President's proposal. This bill, regarding income taxes and payroll taxes, is more progressive than the President's proposal.

Now, briefly, the prospects for conference. It is common to say at this point in the process the Senate bill constitutes a very delicate balance and that nothing can be changed without jeopardizing the prospect of getting a bipartisan bill enacted into law. This time it happens to be true. The Senate is divided, 50/50. On our side of the aisle, there is some support for the bill, but it hinges on a series of careful

changes that we made to provide that balance. If, in conference, that balance is lost, the prospects for passing the conference report may be lost, as well. I hope that does not happen.

In conclusion, this bill is not perfect but it is balanced. It is a compromise. It is good for taxpayers. It is good for working families. It is good for the economy. I strongly urge Senators to support the bill.

In conclusion, I pay my highest compliments to the chairman of the committee, Senator GRASSLEY, who has worked more in good faith and back and forth, to and fro, frankly, than any other Senator I can think of in any other situation. He is a real credit to the State of Iowa and a real credit to the United States of America. I thank him for his cooperation and working together to get this bill where it is.

I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield myself 7 minutes of the 19 remaining minutes.

The PRESIDING OFFICER. The Senator has 19 minutes remaining, that is correct.

Mr. GRASSLEY. I thank the Senator from Montana for his compliment. I have said many times on the floor of the Senate, we are here with a bipartisan bill only because of his willingness to work with us and our desire to have a bipartisan bill as opposed to a partisan debate. I think that is the way the Senate Finance Committee normally works. I am glad to have it work in this particular instance.

As we come to the end of our 20 hours of deliberation and begin voting on amendments, I want to make some final comments.

This is a bipartisan effort. This bill was drafted in concert with Senator BAUCUS and with the benefit of the comments of all the members of the Finance Committee with whom I consulted personally.

We took as a starting point President Bush's efforts to provide income tax relief to all Americans. This legislation includes the four main elements of President Bush's goals of providing tax relief to working men and women.

First, this legislation reduces marginal rates at all levels and creates the new 10 percent level proposed by the President. While we don't go as far as the President in reducing the top rates—and I would add we didn't go as far as I would like—we also began to address the hidden marginal rate increases such as PEPS and PEASE that complicate the code.

As I said earlier today, America is a society of opportunity. Over 60 percent of all families will at one time or another be in the top fifth of income in this country. A man will make more at 55, after 30 years of hard work, then he did at 25. A family should not face a crushing marginal rate tax burden when they finally get a good paycheck for a few years as a reward for many, many years of hard work.

Second, we provide income tax relief for married families—for families where both spouses work and where only one spouse works. In addition, thanks to the strong advocacy of Senator JEFFORDS, we expand the earned income credit for married families with children. Further, there was wide bipartisan agreement to simplify the earned income credit which will mean that hundreds of thousands of more children will receive the EIC benefits.

Third, the President's desire to expand the child credit to \$1,000 is met in this bill. And in response to the concerns of Senators SNOWE, LINCOLN, BREAUX, JEFFORDS, and KERRY the child credit was expanded to help millions of children whose working parents do not pay income tax.

Fourth, the burden of the death tax is reduced and finally eliminated—as called for by President Bush. The committee was successful in this effort due to the work of many Senators but I would particularly note the efforts of Senators KYL and LINCOLN.

Thus, this bill contains the four main elements of President Bush's efforts to provide tax relief for working families—marginal rate reduction, relief for married families, the expansion of the child credit and the reduction and ultimate elimination of the death tax.

I remind my colleagues again that the hallmark of this bill is that relief for low income families comes first. The marginal rate drop to 10 percent is immediate, the child credit expansion to low income families is immediate, the expansion of EIC is immediate.

In addition, the numbers show that the Finance Committee took President Bush's proposal—which was already quite progressive as compared to current law—that is, at the end of the day upper income families would be paying a greater share of taxes than lower income—and the Finance Committee made the President's proposal even more progressive.

The greater progressivity and ensuring that low income families are first in receiving the benefits of the tax cut is certainly due in no small part to the work of Senator BAUCUS.

So I am somewhat chagrined, reading in the press the constant carping of Senator BAUCUS' efforts to draft a bipartisan bill. It seems that while many are happy to talk about bipartisanship that can't stand to see bipartisanship practiced.

I can assure my colleagues on the other side of the aisle that if Senator BAUCUS had not been present at the creation of this bill—it would have been a very different piece of legislation. It is because of his efforts that there are many elements in the RELIEF Act that members on the other side of the aisle can enthusiastically support.

In addition to President Bush's proposals to provide tax relief to working families, the Finance Committee also included legislation that had already been considered by the Finance Committee earlier this year or last year.

I believe that not all good ideas come from just one end of Pennsylvania Avenue. Thus, we included the Grassley/Baucus pension reform legislation which probably would not have made it in the bill without the longtime support of Senators HATCH, JEFFORDS, and GRAHAM.

In addition, the bill contains over \$30 billion targeted for education elements of this include language to expand the prepaid tuition programs to help families pay for college—long advocated by Senators COLLINS, MCCONNELL, and SESSIONS. In addition, we provide college tuition deduction thanks to Senators TORRICELLI, SNOWE, and JEFFORDS, private activity bonds for school construction in response to Senator GRAHAM's concerns, as well as an expansion of the education savings accounts—in honor of Senator Coverdell—thanks to the work of Senator TORRICELLI and the majority leaders.

As I have said all along, no once got everything they wanted in this bill, including the chairman. But I do believe that everyone got something that they believe is important included in the RELIEF Act.

I have provided this outline of the legislation to remind Senators of the balanced approach that took place in crafting this legislation; to highlight the fact that it reflects the views and priorities of a wide range of members of the committee on both sides of the aisle; and, to explain why the RELIEF Act took the form it did.

But setting aside the priorities and concerns of Senators, none of us should forget the great winners of the RELIEF Act—the American taxpayer. We are providing the American taxpayer the greatest amount of tax relief in a generation. And they deserve it. It is wrong that in a time of surplus we are still imposing a record tax burden on workers.

With passage of the RELIEF Act struggling families will have more money to make ends meet; parents and students will be able to more easily afford the costs of a college education; a successful business woman will be able to expand and hire more people; a father finally getting a good paycheck after years of work will be able to better provide for his aging mother; and, a farmer can pass on the family farm without his children having to sell half the land to pay estate taxes.

The examples are endless of the great benefits that we realize when we give tax relief to working families.

I urge my colleagues to support the RELIEF Act for working families.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Nevada.

AMENDMENT NO. 685, AS MODIFIED

Mr. REID. I send a modification of an amendment to the desk on behalf of Senator EVAN BAYH and others.

I ask the modification be reported on behalf of Senator BAYH.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID], for Mr. BAYH, proposes an amendment numbered 685, previously proposed, as modified.

Mr. REID. I ask unanimous consent the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place, insert the following:

**SEC. . . ENSURING DEBT REDUCTION.**

(a) TRIGGER.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act or any other law, the effective date of a provision of law described in paragraph (2) shall be delayed as provided in paragraph (3).

(2) PROVISION DESCRIBED.—A provision of law described in this paragraph is—

(A) a provision of this Act that takes effect in calendar year 2005 or 2007 and results in a revenue reduction; or

(B) a provision of law that—

(i) is enacted after the date of enactment of this Act; and

(ii) takes effect in fiscal year 2005 or 2007 and causes increased outlays through mandatory spending (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act).

(3) DELAY.—If, on September 30 of fiscal year 2004 or 2006, the Secretary of the Treasury determines that the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 has been exceeded for that fiscal year, the effective date of any provision of law described in paragraph (2) that takes effect during the next fiscal year shall be delayed by 1 calendar year.

(4) DISCRETIONARY SPENDING LIMITATION.—Notwithstanding any other provision of law, in any fiscal year subject to the delay provisions of paragraph (3), the amount of budget authority for discretionary spending in each discretionary spending account shall be the level provided for that account in the preceding fiscal year plus an adjustment for inflation.

(5) REPORTS TO CONGRESS.—On July 1 and September 5 of 2004 and 2006, the Secretary of the Treasury shall report to Congress the estimated amount of the debt held by the public for the fiscal year ending on September 30 of that year.

(6) CONGRESSIONAL ACTION.—

(A) TRIGGER.—

(1) MODIFICATION.—In fiscal year 2005 or 2007, if the level of debt held by the public at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would be below the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), any Member of Congress may move to proceed to a bill that would increase the rate of discretionary spending and make changes in the provisions of law described in paragraph (2) to increase direct spending and reduce revenues (proportionately) in a manner that would increase the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. A bill considered under this clause shall be considered as provided in sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644). Any amendment offered to the bill shall maintain the proportionality requirement.

(2) IN GENERAL.—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this subclause shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by three-fifths of the Members, duly chosen and sworn.

(ii) WAIVER.—

(I) IN GENERAL.—The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution. A joint resolution considered under this subclause shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by three-fifths of the Members, duly chosen and sworn.

(II) LOW GROWTH.—(aa) The delay and limitation provided in paragraphs (3) and (4) may be disapproved by a joint resolution for low growth as provided in this subclause. A joint resolution considered under this subclause shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by a majority of the whole body.

(bb) For purposes of this subclause, a period of low growth occurs when the most recent of the Department of Commerce's advance, preliminary, or final reports of actual real economic growth indicate that the rate of real economic growth (as measured by real GDP) for each of the most recently reported quarter and the immediately preceding quarter is less than 1 percent.

(B) OTHER FISCAL YEARS.—

(i) IN GENERAL.—In fiscal year 2003, 2005, 2007, 2008, 2009, or 2010, if the level of debt held by the public at the end of the preceding fiscal year, as determined by the Secretary of the Treasury, would exceed the debt target for that fiscal year in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 as a result of the effect of the triggering of paragraphs (3) and (4), any Member of Congress may move to proceed to a bill that would defer changes in law that take effect in that fiscal year that would increase direct spending (except for automatic or annually enacted cost of living adjustments for benefits enacted prior to the date of enactment of this Act) and decrease revenues and freeze the amount of discretionary spending in each discretionary spending account for that fiscal year at the level provided for that account in the preceding fiscal year plus an adjustment for inflation (all proportionately) in a manner that would reduce the debt held by the public for that fiscal year to a level not exceeding the level provided in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985. The motion to proceed shall be voted on at the end of 4 hours of debate. Any amendment offered to the bill shall either defer effective dates or adjust discretionary spending and maintain the proportionality requirement.

(ii) CONSIDERATION OF LEGISLATION.—A bill considered under clause (i) shall be considered as provided in sections 310(e) and 313 of the Congressional Budget Act of 1974 (2 U.S.C. 641(e) and 644).

(b) PUBLIC DEBT TARGETS.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 250(c)(1), by inserting “‘ debt held by the public’ ” after “‘outlays’ ”; and

(2) by inserting after section 253 the following:

**“SEC. 253A. DEBT HELD BY THE PUBLIC LIMIT.”**

“(a) LIMIT.—The debt held by the public shall not exceed—

“(1) for fiscal year 2002, \$2,955,000,000,000;

“(2) for fiscal year 2003, \$2,747,000,000,000;

“(3) for fiscal year 2004, \$2,524,000,000,000;

“(4) for fiscal year 2005, \$2,279,000,000,000;

“(5) for fiscal year 2006, \$2,011,000,000,000;

“(6) for fiscal year 2007, \$1,724,000,000,000;

“(7) for fiscal year 2008, \$1,418,000,000,000;

“(8) for fiscal year 2009, \$1,089,000,000,000;

and

“(9) for fiscal year 2010, \$878,000,000,000.

“(b) ADJUSTMENTS TO DEBT TARGETS.—

“(1) IN GENERAL.—The debt held by the public targets may be adjusted in a specific

fiscal year if the Secretary of the Treasury certifies that the target cannot be reached because—

“(A) the Department of the Treasury will be unable to redeem a sufficient amount of securities from holders of Federal debt to achieve the target; or

“(B) the social security and medicare revenues are less than assumed in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83).

“(2) CERTIFICATION.—The certification shall—

“(A) be transmitted by the President to Congress;

“(B) outline the specific reasons that the targets cannot be achieved; and

“(C) not be the result of a budget surpluses being available to redeem debt held by the public.

“(3) CONGRESSIONAL ACTION.—The adjustment provided in this subsection may be disapproved by a joint resolution. A joint resolution considered under this paragraph shall not be advanced to third reading in either House unless a motion to proceed to third reading is agreed to by a majority of the whole body.

“(c) SUSPENSION OF LIMIT ON DEBT HELD BY THE PUBLIC FOR WAR.—If a declaration of war is in effect, the limit on the debt held by the public established in this section is suspended.”.

(c) CONGRESSIONAL BUDGET PROCESS.—

(1) POINT OF ORDER.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

“(j) DEBT HELD BY THE PUBLIC POINT OF ORDER.—It shall not be in order in the Senate to consider any concurrent resolution on the budget or amendment, motion, or conference report thereto that would—

“(1) increase the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

“(2) provide additional borrowing authority that would result in the limit on the debt held by the public in section 253A(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 being exceeded.”.

(2) SUPERMAJORITY WAIVER AND APPEAL.—Subsections (c)(1) and (d)(2) of section 904 of the Congressional Budget Act of 1974 are amended by striking “305(b)(2),” and inserting “301(j), 305(b)(2).”.

(3) ADDITIONAL AMENDMENTS TO THE BUDGET ACT.—The Congressional Budget Act of 1974 is amended—

(A) in section 3, by adding at the end the following:

“(11)(A) The term ‘debt held by the public’ means the outstanding face amount of all debt obligations issued by the United States Government that are held by outside investors, including individuals, corporations, State or local governments, foreign governments, and the Federal Reserve System.

“(B) For the purpose of this paragraph, the term ‘face amount’, for any month, of any debt obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

“(i) the original issue price of the obligation; plus

“(ii) the portion of the discount on the obligation attributable to periods before the beginning of such month.”; and

(B) in section 301(a) by—

(i) redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(ii) inserting after paragraph (5) the following:

“(6) the debt held by the public; and”.

(d) RULE OF CONSTRUCTION.—This section and the amendments made by this section shall have no effect on Social Security or

Medicare as in effect on the day before the date of enactment of this section.

It shall not be in order in the Senate to consider any bill, joint resolution, motion, amendment, or conference report, pursuant to this section, that contains any provisions other than those enumerated in section 310(a)(1) and 310(a)(2) of the Congressional Budget Act of 1974. This point of order may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this paragraph.

Mr. REID. Mr. President, I yield 2 minutes to the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 2 minutes. The Chair yields the Senator from New Jersey an additional minute.

#### MOTION TO COMMIT

Mr. CORZINE. Mr. President, I send a motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. CORZINE] moves to commit the pending legislation to the Finance Committee, with instructions to report back within three days, with an amendment that eliminates income tax reductions for taxpayers with annual incomes greater than \$500,000 and reserves all resulting savings to provide a tax credit to help families afford the costs of long-term health care.

Mr. CORZINE. As my colleagues just heard, this motion would commit the bill to the Finance Committee and direct it to report back promptly with an amendment that eliminates an income tax for those earning more than \$500,000 a year, and use those savings to establish a tax credit to help families afford the cost of long-term care.

Before I explain the need for my motion, let me first commend Senators GRASSLEY and GRAHAM of Florida, who have provided true leadership on a critical issue for seniors across America, the issue of long-term care.

This motion does not require adoption of their specific approach, though I am proud to support their bill which would provide a \$3,000 tax credit for long-term care expenses.

Now is the time to address America's long-term health care needs, before we approve one of the largest, and I believe one of the most inequitable, tax cuts that we could bring before the country, a tax cut that would undermine the largest surplus ever and prevent us from meeting critical health care needs, particularly for our seniors.

Over 12 million seniors and disabled Americans need long-term care, and as many as twice that number may need it as the population ages, as the baby boomers retire. Families who are primary caregivers pay a tremendous price for this care. I believe no one should have to go bankrupt or stress their budgets to afford long-term care

and no family should bear the burden alone.

Long-term care should not be just a privilege for the wealthy. A tax credit, as I propose, would provide much needed relief to the families who provide long-term care for their loved ones. It is to ensure a better and fairer use of the surplus than a rate cut targeted for the very wealthiest Americans.

This is not about class warfare. This is about providing relief for our elderly and for the overburdened families who care for them.

I hope my colleagues will agree that we should not provide a windfall for those earning more than \$½ million a year while ignoring the very real needs of so many families and the loved ones for whom they struggle.

The PRESIDING OFFICER. Who yields time?

Mr. REID. Mr. President, I yield 3 minutes to the Senator from New York, Mrs. CLINTON.

The PRESIDING OFFICER. The Senator from New York is recognized for 3 minutes.

Mrs. CLINTON. Mr. President, let me begin by commending Chairman GRASSLEY and Ranking Member BAUCUS for the hard work they have put in on this very difficult assignment. I appreciate greatly their efforts.

It pains me that I rise in opposition to the bill which they have presented and that we will be voting on later this evening.

I wish I could support this bill. I wish I could support it because I believe in affordable, reasonable tax cuts. I believe in continuing to pay down our budget debt. And I believe in making the kinds of investments that will enable our country to be richer and stronger and smarter.

However, it is my analysis that, unfortunately, this bill does not meet those criteria. What bothers me is that, despite the pressures that have been working on the Finance Committee to come up with the best possible alternative in a bipartisan way, which they just labored so hard to do, we read there will be additional requests for tax cuts coming down the road, and that there will be additional dollars requested, which might very well be fully justified, to raise our defense expenditures.

It bothers me that we see, in the bill that has been presented to us, that it will be very difficult to find the resources we need for the investments that I think everyone in this Chamber knows are demanded by the people we represent: investments in education, investments in health care, such as a prescription drug benefit, or, as my colleague from New Jersey rightly pointed out, a long-term care tax credit.

I am concerned that, in fact, this bill does squeeze out the opportunity that we have to address, in a realistic way, our energy needs, as well as the other priorities I have mentioned.

There are several considerations that are very important to the people I represent. It is very difficult to look at

this tax bill, without adequate alternative minimum tax reform, and not realize that we are going to be pushing millions of Americans, many of them New Yorkers, into a higher tax bracket.

The Joint Tax Committee estimates that 40 million taxpayers will be subject to the AMT after the tax bill, now debated, is fully phased in. That will have a tremendous impact. It will be a rude surprise for many citizens in New York, California, Connecticut, Wisconsin, Oregon, and other States when they find they do not really gain much from this tax bill but, in fact, they get a higher tax bill.

I am also concerned that due to repeal of the estate tax, and the earlier elimination of the State credit from the estate tax, we are going to find States such as New York in a terrible budgetary dilemma. They are going to be losing dollars from the State side of the estate tax before the Federal Government loses the revenues in 2011.

In some States that will be an incredible burden: several percentage points out of their revenue base where they would have to find some way to amend their constitution or find new revenues. It seems eminently unfair for the Federal Government to be able to shift that burden to the backs of the States with so little warning.

The PRESIDING OFFICER. The Senator has used her 3 minutes.

Mr. REID. I yield the Senator 1 more minute.

Mrs. CLINTON. This reminds me of what we went through in 1981, so I went back and read the account. I wish my colleagues would recall what David Stockman said in December of 1981. He said:

The reason we did it wrong . . . was that we said, Hey, we have to get a program out fast. And when you decide to put a program of this breadth and depth out fast, you can only do so much . . . We didn't think it all the way through. We didn't add up all the numbers. We didn't make all the thorough, comprehensive calculations about where we really needed to come out. . . . In other words, we ended up with a list that I'd always been carrying of things to be done, rather than starting the other way and asking, What is the overall fiscal policy required to reach that target?

I am afraid that is what we are doing again.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I intend to use my 10 minutes this way, so if anybody else is planning to speak, they will know time is used up: 3 minutes to the Senator from Virginia, and 7 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Virginia is recognized for 3 minutes.

Mr. ALLEN. Mr. President, I thank the chairman, Senator GRASSLEY, and the ranking member, Senator BAUCUS, as well as their staffs, for their hard work and dedication on this tax bill, but, in particular, I thank them for working with me to include an amend-

ment, No. 673, which is my education opportunity tax relief amendment.

This bill, with the education savings account, will be a good help for parents who have children in kindergarten through the 12th grade.

The education savings accounts previously were only available for those who had children in college or a university. It is now expanded for K-12, for up to \$2,000 a year that you can get in tax relief for that allocation of your funds, reducing your taxes, and making it a tax-free withdrawal for education-related expenses.

What my amendment makes clear is that if a parent with a child in K-12 wants to buy their child a computer or educational software, or Internet access at home, that is permissible. The way the measure right now is worded, very few schools—certainly not public schools—would actually require parents to purchase a computer or education-related technology as a term of enrollment. So what this does is empower parents to purchase those computers or educational software or Internet access.

It is very important for us to understand that computers are important in schools, in community centers, and in libraries, but computers need to be in the home. Studies show that children who have computers at home stay in school, do better academically, and go on to better jobs because they are more technologically proficient.

This is an idea which will specifically allow parents of K-12 school-aged children to use education savings accounts for the purchase of computers, related technology, and peripherals, educational software, and Internet access. And the purchase would not need to be a requirement of enrollment or attendance at a school.

This also is supported by many groups in the technology area, such as the Information Technology Industry Council, the Computer and Communications Industry Association, Global Learning Systems, and many others.

I ask unanimous consent that letters I have in support be printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. ALLEN. So, Mr. President, and Members of the Senate, I thank you all for working with me.

The PRESIDING OFFICER. The Senator has used his time.

Mr. NICKLES. I yield the Senator 15 seconds.

Mr. ALLEN. This amendment we are working on in a bipartisan manner is supported by parents and the technology community, and it will be beneficial to the schoolchildren all across America.

Thank you, Mr. President. And I thank both managers of the bill.

## EXHIBIT 1

ITT INDUSTRIES, INC.,

White Plains, NY, April 12, 2001.

Ms. RACHAEL BOHLANDER,  
Legislative Assistant, Office of Senator George Allen,  
Russell Senate Office Building, Washington, DC.

DEAR Ms. BOHLANDER: I write to thank you for your recent communication to ITT Industries concerning the Education Opportunity Tax Credit Act, a bill introduced by Senator Allen to provide educational assistance through tax credits and for other purposes.

ITT Industries strongly favors efforts to strengthen education in the United States. As a global engineering and manufacturing company with nearly 19,000 employees in this country, ITT Industries shares Senator Allen's interest in assisting American students to prepare for technology jobs in the digital economy. We are also following the administration's proposals concerning education, and will take appropriate account of Senator Allen's initiative.

Thank you for bringing Senator Allen's bill to our attention.

Sincerely yours,

THOMAS R. MARTIN,  
Senior Vice President,  
Director of Corporate Relations.

GLOBALLEARNINGSYSTEMS,  
McLean, VA.

Hon. GEORGE F. ALLEN,  
U.S. Senator, Russell Senate Office Building,  
Washington, DC.

DEAR SENATOR ALLEN: On behalf of GlobalLearningSystems™, I would like to express our enthusiastic support for your recently introduced legislation, S. 488, The Education Opportunity Tax Credit Act.

This bill addresses major education concerns as well as the looming Digital Divide, which hinders not only students, but also their parents. Access to the Internet is a growing necessity of everyday life. For those with modest means, your forward-looking legislation assures that no family's children will be left behind because they did not have the basic tools to keep up.

Since we are a global learning and e-Learning company, we particularly appreciate the impact of the inclusion of e-Learning services in the provisions of the bill, which can improve the success possibilities for all students. For the first time, we can tailor learning to the need of the individual student and make learning the motivating experience all parents seek for their children.

Again, let me congratulate you for making such a positive legislative statement with the introduction of S. 488.

With best wishes for your continuing efforts.

Sincerely yours,

SCOTT SOBEL,  
Vice President,  
Communications and Marketing.

INFORMATION TECHNOLOGY  
INDUSTRY COUNCIL,  
Washington, DC, May 14, 2001.

Senator GEORGE ALLEN,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR ALLEN: The Information Technology Industry Council (ITI) would like to applaud your leadership in introducing S. 488, the Education Opportunity Tax Credit Act. ITI recognizes that the success of our nation and its continued global leadership in information technology depends upon our ability to equip all of our children with 21st century skills. S. 488 takes important steps towards achieving that goal.

ITI is the association of leading information technology companies, employing more

than 1.3 million people in the United States and generating \$633 billion in worldwide revenues in 1999. ITI's member companies have a long history of working with local school systems to introduce technology into the learning environment and have committed over \$1 billion to provide students, teachers and schools with the equipment and training they need to make the most of technology.

ITI has adopted education principles recognizing the importance of integrating technology into the curriculum and providing students access to that technology. In addition, recent studies have shown that access to technology outside the classroom can increase the benefits students get from having technology in the classroom. Your legislation recognizes this value and helps to bring that digital opportunity to a greater number of students.

We look forward to working with you on this issue. If you have any question please contact me or Matt Tanielian of my staff at (202) 626-5751.

Best regards,

RHETT DAWSON,  
President.

The PRESIDING OFFICER. The Senator from Montana.

AMENDMENT NO. 743

Mr. BAUCUS. Mr. President, on behalf of Senator CONRAD, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. CONRAD, proposes an amendment numbered 743.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To increase the standard deduction and to strike the final two reductions in the 36 and 39.6 rate brackets)

On page 9, strike the matter between lines 11 and 12, and insert:

"In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004 ..	27%	30%	35%	38.6%
2005 and 2006 .....	26%	29%	35%	38.6%
2007 and thereafter .....	25%	28%	35%	38.6%

On page 13, between lines 15 and 16, insert:  
**SEC. 104. INCREASE IN STANDARD DEDUCTION.**

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

“(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2004—

“(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by—

“(i) \$600 in the case of taxable years beginning in 2005 and 2006, and

“(ii) \$1,600 in the case of taxable years beginning after 2006, and

“(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph.”

(b) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2004.

AMENDMENT NO. 744

Mr. BAUCUS. Mr. President, I send an amendment to the desk on behalf of Senator CONRAD and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. CONRAD, proposes an amendment numbered 744.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To increase the standard deduction and to reduce the final reduction in the 39.6 percent rate bracket to 1 percentage point)

On page 9, in the matter between lines 11 and 12, strike “36%” in the item relating to 2007 and thereafter and insert “36.6%”.

On page 13, between lines 15 and 16, insert:  
**SEC. 104. INCREASE IN STANDARD DEDUCTION.**

(a) IN GENERAL.—Section 63(c) (relating to standard deduction), as amended by section 301, is amended by adding at the end the following:

“(8) ADDITIONAL INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2006—

“(A) the basic standard deduction in effect for the taxable year under subparagraph (B) or (C) of paragraph (2) (without regard to this paragraph) shall be increased by \$300, and

“(B) the basic standard deduction in effect for the taxable year under subparagraph (A) of paragraph (2) (without regard to this paragraph) shall be increased by the applicable percentage (as defined in paragraph (7)) of the increase under subparagraph (A) of this paragraph.”

(b) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2006.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. I yield time to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 6½ minutes.

Mr. NICKLES. Mr. President, I thank my friend and colleague, Senator GRASSLEY, for his leadership on this bill, as well as Senator BAUCUS. I think they have managed it very well, both in committee and on the floor.

I also would like to inform our colleagues that we are going to begin a series of rollcall votes at about 6 o'clock. I urge Members to come to the Chamber and stay in the Chamber. We are going to have these amendments within a strict timeframe. My guess is there will be 10 or 12 minutes, and they will be enforced.

Again, our colleagues should be aware that these votes will start and begin probably about 6 o'clock, and we are going to have numerous rollcalls, probably a lot more than we need. I urge my colleagues, many of whom offered amendments, to accept voice votes, if possible.

I urge my colleagues to vote in favor of this package. It is not perfect. I have heard some people say it is too big. I disagree. This is a very timid package. This is about one-fourth of the surplus. I heard a couple of our colleagues say: Wait a minute, maybe we are reenacting the mistakes made in 1981, the massive tax cuts in 1981.

I looked at the amount of money we raised in 1980 from all sources in the Federal Government. It was \$517 billion. In 1990, the Federal Government raised over \$1 trillion. It doubled in that 10-year period of time, the revenues that came in.

What happened in that interim is that spending went up even faster than revenues. So I don't think it was because of the tax cuts, although we had a very significant tax cut. If you look at the 1981 tax bill, the 1986 tax bill, you saw maximum rates go down significantly. All taxpayers had significant rate reductions. The maximum rate was 70 percent in 1980. It was 28 percent in 1988. So it was a big change.

This bill is much more timid. And for those who are saying we have cut too much for the wealthy, I don't think they have read the bill. The maximum tax rate under the income-tax code right now is 39.6 percent. Guess what it will be in December of the year 2004, after this massive tax cut. It will be 38.6 percent. It will go down one point. How much did it increase in the 1993 tax increase? The maximum tax rate then went from 31 percent to 39.6. It went up 8.6 points. In addition, what used to be a cap on the Medicare tax was eliminated. So you can add another 1.45 for an individual. You can double that for a couple, so that is another 2.9.

So the effect of the 1993 tax increase was moving the maximum rate from 31 percent to 42.5 percent. That is an 11.5-point increase for maximum taxpayers.

This bill, in the first 4 years, reduces that only 1 point, only one-tenth as much as the increase that we had, and it just so happens the increase in 1993 was retroactive back to January of 1993.

So my point is, this is a very timid tax cut compared to the tax increase we had in 1993. Those are just the facts.

We are slow, very slow in phasing in the tax cuts, the rate cuts for all taxpayers. They are not fully in effect until the year 2007.

I hope we can accelerate that. It takes us too long to get there. But I make this point because I keep seeing amendments: We will delay the effective date for the high tax payers. I guess they don't want to give taxpayers tax cuts. I don't follow that. It is like using the Tax Code only for redistribution of wealth. Let's load up more on the low-income side.

The bill we have before us does a lot for low-income taxpayers. It creates a 10-percent rate. Those taxpayers were paying 15 percent. That is a 33-percent reduction. That is \$600 in savings for taxpayers on the low-income scale,

married couples. That is \$600 more that they get to keep if they have \$12,000 in adjusted taxable income. That is very positive. So that is weighted toward the low income.

There is also a \$500 tax credit per child. We passed the first \$500 tax credit per child in 1997. That is very positive. If you have four kids, as do I—they are grown now, so I don't get it—who are dependents, that is \$2,000. Over the period of this bill we double that. So we make it a \$1,000 tax credit per child. This bill even makes it refundable. I don't think that is very good policy, but it is in this bill.

So my point is, this bill is loaded very much towards low-income groups. For those people who say we want to load it more, I disagree. We ought to have a tax cut for taxpayers. The greatest percentage of tax reduction definitely goes towards low- and middle-income taxpayers in this group.

Certainly, individuals who have kids, certainly individuals who are paying that 15-percent rate, who have income on the lower side, they get a very significant rate reduction. And they get it retroactive to January 1 of this year. All other taxpayers don't get a rate reduction until January of next year and only one point. In some cases, that is only one-tenth of the increase they had in 1993.

This bill does a lot of other things that will benefit families. It has educational tax provisions. It has savings provisions dealing with IRAs, education, making savings more affordable, enhancing individual pensions. It does other things, including the death tax. I started to say death tax repeal, but that is not until the year 2001. It does increase the exemption amount or the unified credit amount up to \$1 million, \$2 million, \$3 million, \$4 million in the ninth year—that is a positive provision—and ultimately repeal. So we don't penalize somebody for dying. The taxable event would not be when somebody died. The taxable event would be when the property is sold, and then that tax rate would be at the capital gains rate. It wouldn't be at these unbelievably high and punitive rates of 55 percent that are now present law.

I urge my colleagues to vote in favor of final passage of this bill. Let's give taxpayers relief. It is long overdue.

The PRESIDING OFFICER. All time controlled by the majority has expired.

The PRESIDING OFFICER. Who yields time on the bill?

Mr. REID. I yield 2 minutes to the Senator from New Jersey, Mr. CORZINE.

The PRESIDING OFFICER. The Senator from New Jersey is recognized for 2 minutes.

Mr. CORZINE. Mr. President, I rise to speak to the overall bill. I congratulate Senators GRASSLEY and BAUCUS for their effort at bipartisanship to put together a very complicated and difficult piece of legislation.

I also have serious reservations which lead to a conclusion that I think we are overreaching, far overreaching

relative to our financial stability. My read of this particular piece of legislation is that it will potentially bring grave concerns to marketplaces around the world when people do the analyses and see the great depth of backloaded tax cuts that are embedded in the bill. It is a very serious concern, particularly in a country that has been running the kinds of serious current account deficits that we have had over the last few years. That backs into concerns about our bond markets, as people analyze these numbers and see how they fit together, particularly in the context of an upcoming increase in defense expenditures that have not been allowed for in this bill.

I have very serious concerns that we will return to periods of deficits—some say a “deficit ditch.” I think we need to be very mindful of that tonight as we go to the vote.

It is more than just the principles that are involved, which I have serious concerns with, too, about the distribution, who gets the benefit. I think there are serious concerns about the financial underpinnings that this will provide for our Nation in the years ahead.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. REID. Mr. President, I yield such time as we have remaining to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

AMENDMENT NO. 676

(Purpose: To allow a credit to holders of qualified bonds issued by Amtrak, and for other purposes)

Mr. BAUCUS. Mr. President, I send up amendment No. 676.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. BIDEN, for himself, Mr. TORRICELLI, Mr. KERRY, Mr. SCHUMER, Mr. BAUCUS, Mr. ALLEN, Mrs. BOXER, Mr. CARPER, Mr. CHAFEE, Mrs. CLINTON, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. DURBIN, Mr. LEAHY, Ms. MIKULSKI, Mrs. MURRAY, Mr. ROCKEFELLER, Mr. SARBANES, Mr. SPECTER, Mr. WARNER, Ms. COLLINS, Mr. DASCHLE, Mrs. FEINSTEIN, Mr. KENNEDY, Ms. LANDRIEU, Mr. REID, and Mr. WELLSTONE, proposes amendment numbered 676.

Mr. BAUCUS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under “Amendments Submitted and Proposed.”)

AMENDMENT NO. 676, WITHDRAWN

Mr. BAUCUS. Mr. President, this is the High-Speed Rail Investment Act. I have worked with Senator BIDEN to help work out provisions to make it acceptable to me, at least with respect to not infringing on the highway trust fund. I support the latest amendment, but it is not germane to the bill. I now withdraw the amendment.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn. The Senator has 2½ minutes remaining.

AMENDMENT NO. 656

Mr. REID. Mr. President, I yield that time and defer to the Senator from New Hampshire who has 5 minutes under the agreement previously entered.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Are we now back on my amendment?

The PRESIDING OFFICER. The Senator is correct.

Mr. GREGG. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. ALLARD. Mr. President, I am pleased to join with Senators GREGG, ENSIGN, ALLEN, BUNNING, and other in offering this capital gains tax rate reduction. This will provide an immediate stimulus to the economy, there is no tax cut out there that can do a better job of heading off a recession. A capital gains tax rate cut will encourage saving and investment in our economy. It will help entrepreneurs to start businesses and create jobs. The capital gains tax cut will raise revenue for the federal government. After we cut the rate in 1997, the federal government received \$200 billion in additional revenue. In just four years, we have \$200 billion more than forecast before the rate cut. The tax cut will increase economic growth, increase revenues and reward investment in our economy. I urge my colleagues to support this reduction in the capital gains tax rate from 20 percent to 15 percent.

I think this is one of the most substantial things we can do to, again, head off a recession in our economy.

Mr. President, I yield back the remainder of my time.

Mr. BAUCUS. Mr. President, parliamentary inquiry: What is the pending business?

The PRESIDING OFFICER. The amendment of the Senator from New Hampshire.

Mr. BAUCUS. Under the order, how much time does the Senator have and how much time is allocated to those in opposition?

The PRESIDING OFFICER. The Senator from Montana has 3 minutes. The Senator from New Hampshire has 5½ minutes remaining.

Mr. REID. Mr. President, parliamentary inquiry: The Senator from New Hampshire—

The PRESIDING OFFICER. Does the Senator from Montana yield?

Mr. BAUCUS. Yes.

Mr. REID. The Senator from New Hampshire had 5 minutes. He yielded 2 minutes. How can he end up with 5½ now?

The PRESIDING OFFICER. The Senator from Nevada yielded 3 minutes to the Senator—

Mr. REID. The Senator from Nevada yielded his time back on the bill.

Mr. GREGG. I think we can straighten this out. I ask unanimous consent

that the Senator from Montana have 3 minutes and I have 3 minutes and we then move to a vote.

The PRESIDING OFFICER. Is there objection?

Mr. LOTT. Mr. President, reserving the right to object, I will use a brief part of my leader time to outline the schedule of how we will proceed tonight after the other two speakers have spoken. I withdraw my reservation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. The pending amendment is the amendment offered by Senator GREGG, No. 656. At the appropriate time, I am going to make a point of order against the amendment. On the substance, I might add, however, that there are no capital gains provisions in the President's proposed tax cut bill. This would be adding a whole new subject, which, frankly, is difficult for us in the committee to incorporate along with the other provisions we have in the bill.

Second, I might add that the provision offered by the Senator provides for a lower capital gains rate, which is temporary—only a couple, 3 years.

In effect, we have heard a lot of criticisms of the bill because of phase-ins and phaseouts, now-you-get-it, now-you-don't, which in the main are legitimate criticisms. But they are there because Senators want other provisions; namely, marriage penalty relief and the child tax credit increased \$1,000 over \$500. They would like to have rates reduced, estate tax provisions, and they would like to have this new 10 years.

Altogether, it is hard to fit everything within \$1.35 trillion, to make it fit, because Senators so strenuously argue for other provisions. We have had these phase-ins and we hope at a subsequent date we can reduce them.

I might add that we have begun to phase out the Pease amendment, and we phased out the personal exemption.

I might add that this amendment adds another complexity. I don't think we want to do that. There are a lot of ways to address capital gains. One is offered by the Senator from New Hampshire. Another is to provide for exclusions up to a certain level, a 50-percent exclusion. Another way is, frankly, just to change the rates in other ways. I might say, because of the various different ideas of how to deal with capital gains, that should be dealt with on a more comprehensive basis, not as an amendment here, which has complexity and does not really help the taxpayers as much as other proposed capital gains amendments would.

For those reasons, on the substance, I think this is not the right time. I also, at the appropriate time, will make a point of order against this amendment.

Mr. GREGG. Mr. President, this amendment would cut the capital gains rate from 20 percent to 15 percent. It is sort of trifecta tax law. We just saw the Preakness run here a couple days

ago. If you want a triple winner, this is it.

First off, the American taxpayer wins because the majority of American taxpayers presently own stock. A lot of that stock is locked up. They are not able to convert it to cash and reinvest because they have capital gains and they want to pay that tax. This frees up those locked up assets and middle America wins.

Secondly, the Federal Government wins. Historically, and on the basis of the projections from the Joint Tax, this will be a revenue winner for the next 3 years and, historically, for the next 10 years. We actually generate more revenue. Why? Because of the fact that economic activity is increased and that economic activity is a taxable event.

Today it is not taxable because everybody is sitting on those capital gains. So we are not creating activity, and we are not creating a taxable event.

This amendment creates revenue to the Federal Treasury and scores positively for the next 3 years. In my opinion, it scores positively for the next 10 years. The Joint Tax Committee found it to lose \$10 billion on a \$1.3 trillion bill, obviously a big number but a minor amount in the context of the whole bill.

The third winning item of this is that it creates prosperity. When you free up capital, people can take that capital and reinvest it in productive activity, either in small business activity or in the stock market to create capital for people who are entrepreneurs, and entrepreneurs create jobs; they create prosperity.

This is a triple winner. It is a benefit to the American taxpayers, especially middle-income taxpayers. It is a benefit to the Federal Government because it generates positive revenue and is a benefit to the economy because it is an engine for prosperity.

A motion will be made that it is not germane. I argue it is germane. There are two areas of capital gains in this bill, No. 1, dealing with AMT and, No. 2, dealing with the estate tax.

More importantly than that, if my colleagues want to vote on something that is a win-win-win, a trifecta for our Government, our country, and our people, this is it: a capital gains cut from 20 to 15 percent. I hope my colleagues will join me in this vote. I yield back whatever time I have remaining.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, the pending amendment is not germane. Therefore, I raise a point of order that the amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

Mr. GREGG. Mr. President, I move to waive the point of order and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Mr. President, I yield myself such time as I may consume under the leader's time, but it will only be 2 or 3 minutes. First, parliamentary inquiry: We are now ready to proceed with a vote on the first amendment in sequence that could very well go on for quite some time; is that correct?

The PRESIDING OFFICER. The leader is correct.

Mr. LOTT. Before we do that, I want to make two or three points.

First, we have reached a historic point. Tonight we are going to pass this very important, significant tax relief package for working Americans. When one looks at all that is in this bill, it is very impressive, not just the amounts, but also what it does in reducing individual income tax rates, dealing with the death tax, doubling the child tax credit, and reducing the marriage penalty. It provides relief on the alternative minimum tax, encourages savings for education, and it also encourages retirement security.

This is a very large package already in the number of provisions that are in it. In fact, one of the greatest dangers we face right now is loving it to death or loading it down because we still have a number of amendments we may be voting on tonight that could begin to drive up the overall cost of the bill, but also every time colleagues add something, unless they can get over 60 votes, they are taking something away. So I hope we will stick with the package we have before us. It is a good package. It will benefit the economy in America. It will help working American families.

Once again, I have to give a lot of credit to the chairman of the Finance Committee, CHUCK GRASSLEY, for working very hard and reaching out to everybody on both sides of the aisle. He is the new chairman of the committee but has worked it as the old pro he really is.

He also was determined from the beginning that this was going to be bipartisan. He and the Senator from Montana got together and talked. They came to some agreements that maybe the leaders on both sides of the aisle would not have necessarily preferred, but that is the way the Finance Committee has worked in all the years I have watched it up close and now as a member. It has come out not always on a partisan vote but a bipartisan vote as we have tried to get the job done.

I commend the chairman and the ranking Democrat. Despite the fact Senator BAUCUS, the ranking member, will be criticized on his side of the aisle for crossing the aisle a little ways along the way, he did the job and he deserves credit.

With regard to the schedule, we have a lot of work to do this week. This could be a breakthrough week in which we provide tax relief for Americans and pass the most fundamental education

reform in years, again, in a bipartisan way, and that would be a tremendous boost to the American people if they see us doing both of those things this week.

We will begin voting now in sequence. We will limit the votes to 10 minutes plus not more than 5 minutes overtime. After the first vote, we will cut the votes off. If we can get all the Senators to stay in the Chamber, we can actually get votes done in 12 minutes and then, of course, have 2 minutes equally divided to explain the next amendment.

We are going to stick to our guns tonight. Senator BYRD has been calling for that. He is right. If ever there was a time we needed to do it, it is tonight. If we do not do that, we will be here voting at 10 o'clock, 11 o'clock, 12 o'clock, however long it takes.

I emphasize this point. We are going to vote on the amendments on which we need to vote. I encourage Senators not to insist on a vote unless they absolutely have to. We are going to keep voting until we complete our work and get to final passage tonight because we must go back to the education bill in the morning, and we must begin to have a conference meeting across the aisle and across the Capitol tomorrow on how we are going to proceed on tax relief.

We are going to limit the time on these votes. We are going to vote on the amendments, and we are going to vote on final passage tonight. I hope Senators prepared for that and will not be leaving the Capitol. Senators will have a few minutes between votes to run and get a sandwich. Maybe we can get pizzas brought up. We will be glad to invite Senators to come into our Cloakrooms and have pizzas. We need to get this bill finished, and we are going to do it tonight.

Mr. REID. Will the leader yield?

Mr. LOTT. I yield to the distinguished Senator from Nevada who has been in the Chamber again doing yeoman work. I appreciate it.

Mr. REID. I say to the leader, we have approximately 40 amendments that already have votes ordered on them. It does not take much math to figure out, if we are lucky, we can figure that is about 10 hours.

I hope people will understand the difficulty the clerks have hearing people respond to the votes. People in the Chamber should remain as quiet as possible, but also I hope the leader will end some of these votes when it is required. It may mean some people will be upset at the leader for not waiting for them until they finish their dinner or finish a speech, whatever it might be. But I say to my friend, if he relents on one vote, it means it is going to happen the whole night.

Mr. LOTT. If I can say to the Senator, he is right, and the only way we are going to complete our work is stay in the Chamber and cut them off in the regular time. I will do that. I ask for the Senator's support in that effort and

the managers. That is the only way we are going to complete this at a reasonable hour.

Mr. BAUCUS. Will the leader yield?

Mr. LOTT. I will be glad to yield.

Mr. BAUCUS. That means the first vote will take how many minutes?

Mr. LOTT. Not more than 20 minutes; 15 minutes, and I believe tradition allows for 5 minutes overtime—not more than 20 minutes.

Mr. BAUCUS. And subsequent amendments?

Mr. LOTT. Subsequent amendments will be 10 minutes or could go as much as 5 minutes overtime. When every Senator is in, it could be as little as 12 minutes, but not more than 15 minutes.

Mr. BAUCUS. I appreciate that. I encourage the leader to stick with 10 minutes.

Mr. LOTT. I did that one time, and I found out it is actually 10 minutes plus 5 minutes that is allowed under the rule. Once every Senator is recorded, if it is 10 minutes, 11 minutes, we will cut it off right then. I am going to stay here and watch every vote.

Mr. BAUCUS. And that includes 2 minutes to explain votes.

Mr. LOTT. That is correct.

Mr. REID. Will the Senator yield for a unanimous consent request?

Mr. LOTT. I will be glad to.

Mr. REID. Mr. President, I was supposed to call up an amendment, and I did not. I ask unanimous consent that amendment No. 747 of the Senator from Delaware, Mr. CARPER, be allowed in order. It is way down at the bottom, but it is here.

Mr. LOTT. Mr. President, I do not believe there is an objection to that request.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### AMENDMENT NO. 747

(Purpose: To provide responsible tax relief for all income taxpayers, by way of a \$1,200,000,000,000 tax cut, and to make available an additional \$150,000,000,000 for critical investments in education, particularly for meeting the Federal Government's commitments under IDEA, Head Start, and the bipartisan education reform and ESEA reauthorization bill)

Mr. REID. Can the clerk report amendment No. 747?

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. CARPER] proposes an amendment numbered 747.

Mr. REID. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is located in today's RECORD under "Amendments Submitted and Proposed.")

Mr. LOTT. Mr. President, I yield the floor.

Mr. REID. Mr. President, I ask for the yeas and nays on the amendment No. 747.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

#### VOTE ON MOTION TO WAIVE

The PRESIDING OFFICER. The question is on agreeing to the motion. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alabama (Mr. SESSIONS) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 47, nays 51, as follows:

[Rollcall Vote No. 115 Leg.]

#### YEAS—47

Allard	Fitzgerald	Murkowski
Allen	Frist	Nickles
Bayh	Gramm	Roberts
Bennett	Gregg	Santorum
Bond	Hagel	Schumer
Brownback	Hatch	Shelby
Bunning	Helms	Smith (NH)
Burns	Hutchinson	Smith (OR)
Campbell	Hutchison	Specter
Cleland	Inhofe	Thomas
Cochran	Kyl	Thompson
Collins	Lieberman	Thurmond
Craig	Lott	Torricelli
Crapo	Lugar	Warner
Ensign	McConnell	Wyden
Enzi	Miller	

#### NAYS—51

Akaka	Dodd	Landrieu
Baucus	Domenici	Leahy
Biden	Dorgan	Levin
Bingaman	Durbin	Lincoln
Boxer	Edwards	McCain
Breaux	Feingold	Mikulski
Byrd	Feinstein	Murray
Cantwell	Graham	Nelson (FL)
Carnahan	Grassley	Nelson (NE)
Carper	Harkin	Reed
Chafee	Hollings	Reid
Clinton	Inouye	Rockefeller
Conrad	Jeffords	Sarbanes
Corzine	Johnson	Snowe
Daschle	Kennedy	Stabenow
Dayton	Kerry	Voinovich
DeWine	Kohl	Wellstone

#### NOT VOTING—2

Sessions Stevens

The PRESIDING OFFICER. On this vote, the yeas are 47, the nays are 51. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. LOTT. Mr. President, I move to reconsider the vote.

Mr. GRASSLEY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LOTT. Mr. President, I ask unanimous consent that the next votes in the series be limited to 10 minutes each, with 2 minutes before each vote for an explanation.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### AMENDMENT NO. 674

The PRESIDING OFFICER. Who yields time on the Carnahan amendment?

The Senator from Missouri.

Mrs. CARNAHAN. Mr. President, this tax bill has a glaring omission. I call



upon my colleagues to correct it. One group, those in the 15-percent marginal tax bracket, have been overlooked. There is no rate cut for them.

Who are these people? They are the forgotten middle-income, working families, those who have a gross family income of \$30,000 to \$65,000, 72 million Americans—1.7 million of them in Missouri; 44 percent of all Missouri taxpayers. They do not walk these halls. They work every day. They pick up their children at daycare. They pay their bills. They help their children with their homework. They take care of their elderly parents. They trust us to do what is fair. We can do so by reducing this tax rate by 1 point, to 14 percent.

To overlook 17 million Americans is a sin of omission we must not commit. I encourage my Democratic and Republican colleagues to correct this wrong.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, this amendment guts our tax relief bill by \$87 billion. It increases taxes, then, on families and working people by \$87 billion by denying the tax cuts in the bipartisan bill.

This amendment not only delays the reduction in marginal rates; it provides only a 1-point reduction in marginal rates. This 1-point reduction equals the tax relief that our bipartisan tax plan provides in the first year alone. Our plan's additional tax cuts would be eliminated entirely by this amendment.

The proposal of Senators DASCHLE and CARNAHAN would actually make our tax system less progressive by giving greater savings to upper income taxpayers as they pass through the 14-percent bracket.

When you are really serious about reducing the tax burden for people in the 15-percent income bracket, you target your available resources to people at that income level. That is exactly what we have done. For those earning between \$12,000 and \$45,000, we have provided tax relief ranging from 9 percent on one end to 33 percent on the other. This is a conclusion made by the non-partisan Joint Committee on Taxation.

To all of my colleagues on both sides of the aisle who supported the budget resolution, a vote for this amendment destroys our efforts to provide a \$1.35 trillion tax cut.

I urge you to vote against the amendment.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 674. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. INOUE. Mr. President, on this vote, I have a pair with the Senator from Alaska, Mr. STEVENS. If he were present and voting, he would vote

“nay.” If I were at liberty to vote, I would vote “yea.” Therefore, I withhold my vote.

The PRESIDING OFFICER (Mr. ENSIGN). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 48, nays 50, as follows:

[Rollcall Vote No. 116 Leg.]

YEAS—48

Akaka	Dodd	Lieberman
Bayh	Dorgan	Lincoln
Biden	Durbin	McCain
Bingaman	Edwards	Mikulski
Boxer	Feingold	Murray
Breaux	Feinstein	Nelson (FL)
Byrd	Graham	Nelson (NE)
Cantwell	Harkin	Reed
Carnahan	Hollings	Reid
Carper	Johnson	Rockefeller
Cleland	Kennedy	Sarbanes
Clinton	Kerry	Schumer
Conrad	Kohl	Stabenow
Corzine	Landrieu	Torricelli
Daschle	Leahy	Wellstone
Dayton	Levin	Wyden

NAYS—50

Allard	Enzi	Miller
Allen	Fitzgerald	Murkowski
Baucus	Frist	Nickles
Bennett	Gramm	Roberts
Bond	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Specter
Collins	Inhofe	Thomas
Craig	Jeffords	Thompson
Crapo	Kyl	Thurmond
DeWine	Lott	Voinovich
Domenici	Lugar	Warner
Ensign	McConnell	

NOT VOTING—1

Stevens

PRESENT AND GIVING A LIVE PAIR—1

Inouye

The amendment (No. 674) was rejected.

Mr. LOTT. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 670

The PRESIDING OFFICER. There are 2 minutes evenly divided on the Fitzgerald amendment No. 670.

Who yields time?

Mr. GRASSLEY. Mr. President, we are going to yield back all time on this amendment and accept the amendment.

The PRESIDING OFFICER. All time has been yielded back.

The question is on agreeing to the amendment of the Senator from Illinois.

The amendment (No. 670) was agreed to.

AMENDMENT NO. 675

The PRESIDING OFFICER. The question is on agreeing to the Collins amendment No. 675. Who yields time?

Mr. GRASSLEY. Mr. President, may we have order, please.

The PRESIDING OFFICER. The Senate will come to order.

Mr. GRASSLEY. Mr. President, I ask that we pass over the Collins amendment and not vote on it now and go on to the next amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 679

The PRESIDING OFFICER. The next amendment is Rockefeller amendment 679.

Who yields time?

Mr. BAUCUS. Mr. President, the Senate is not in order. The Senator from West Virginia has an amendment, and I think we all should give him our attention.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. ROCKEFELLER. Mr. President, my amendment is a very simple one. It asks Senators to choose between whether or not they would rather first implement a prescription drug provision for all Americans, a universal prescription drug provision for all Americans, before the top income tax bracket reduction would become available. It does not eliminate the income tax reduction. It only says we have to do the prescription drug provision first. We have a year and a half to do it. That is plenty of time.

The objection raised on the floor was that it was not constitutional. We consulted extensively over the weekend and OMB found it to be constitutional and that, in fact, it could be and would be constitutional. There was not a problem.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. ROCKEFELLER. I ask unanimous consent for 10 seconds.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROCKEFELLER. Mr. President, the modification that I would ask is that OMB be allowed to certify the amendment as being in proper order.

The PRESIDING OFFICER. Without objection—

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. Is the Senator seeking to modify his amendment?

Mr. ROCKEFELLER. Yes, I seek to modify the amendment.

The PRESIDING OFFICER. Is there objection?

Mr. ROCKEFELLER. Mr. President, I believe the Senator has a right to modify his amendment.

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. It takes unanimous consent at this time to modify an amendment. Is there objection?

Mr. GRASSLEY. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. GRASSLEY. Mr. President, 2 weeks ago, we passed the budget resolution. It seems as if we are involved in redebating the enacted budget resolution. The budget resolution provides record levels of funding for prescription drug coverage. The budget resolution also says we have more than enough tax surplus to enact the tax cut before us. We handle one issue at a time in the Senate.

The Finance Committee will address the prescription drug issue at a later time. I have said that I hope to do that in committee the last 2 weeks of July. The Senate does make one piece of legislation contingent upon another.

The pending amendment is not germane to the provisions of the reconciliation measure. I therefore raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I heard the Senator from Iowa, and I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Arkansas (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 48, nays 51, as follows:

[Rollcall Vote No. 117 Leg.]

YEAS—48

Akaka	Dorgan	Levin
Bayh	Durbin	Lieberman
Biden	Edwards	Lincoln
Bingaman	Feingold	McCain
Boxer	Feinstein	Mikulski
Byrd	Graham	Murray
Cantwell	Harkin	Nelson (FL)
Carnahan	Hollings	Reed
Carper	Inouye	Reid
Cleland	Jeffords	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Specter
Daschle	Kohl	Stabenow
Dayton	Landrieu	Wellstone
Dodd	Leahy	Wyden

NAYS—51

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (NE)
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Chafee	Hutchinson	Snowe
Cochran	Hutchison	Thomas
Collins	Inhofe	Thompson
Craig	Kyl	Thurmond
Crapo	Lott	Torricelli
DeWine	Lugar	Voivovich
Domenici	McConnell	Warner

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 48, the nays are 51. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

AMENDMENT NO. 685, AS MODIFIED

The PRESIDING OFFICER. The question is on amendment No. 685 offered by the Senator from Indiana, Mr. BAYH.

Mr. BAYH. Mr. President, I thank my colleague from Montana for his graciousness.

The decisions we are soon to make will affect the welfare of our Nation for many years to come. The estimates and assumptions that underlie these decisions are uncertain and unstable, at best. The last time we were called upon as a body to make decisions of this magnitude, we did not make them as well as we might have, for the assumptions and estimates were inaccurate, leading to the largest budget deficits, the largest increase in the national debt in our Nation's history and six separate tax increases to right the fiscal ship of state.

We must do better than that. We owe it to those who have sent us to the Senate to do more than hope for the best. We owe it to them to do more than to hope things work out better than they did the last time.

This amendment will ensure that we take the fiscally responsible course to preserve Social Security and Medicare, to balance the budget, and to pay down the debt. I urge adoption.

Mr. NELSON of Florida. Mr. President, I rise in support as a cosponsor of the amendment offered by Senator BAYH and other colleagues to create a "Trust Fund Protection Trigger." This amendment is simple. This amendment would keep us honest. It would prevent us from raiding Social Security and Medicare Trust funds. As long as specified debt reduction targets are met, the phase in of tax cuts continue as scheduled.

This amendment to the tax cut reconciliation bill would create a safety mechanism to address the danger of fiscally irresponsible tax cuts or federal spending leading our nation back to a period of budget deficits. We must make sure we continue paying down our national debt and protecting Social Security and Medicare.

Mrs. FEINSTEIN. Mr. President, I rise in support of the amendment offered by my colleagues Senators BAYH and SNOWE to create a "trigger mechanism" to make sure that the tax cuts we are considering here today will not endanger the projected surpluses or undo the hard work and hard choices of the past decade which have allowed us to eliminate deficits and pay down the debt.

The Congressional Budget Office has projected a unified budget surplus over the next 10 years of some \$5.6 trillion, with a \$3.1 trillion on-budget surplus. These projected surpluses provide the basis for the consideration of the tax bill before us today.

Indeed, the unprecedented economic expansion of the past decade and our current and projected budget surpluses have provided an unparalleled opportunity for the Congress and the administration to take action to provide all working Americans with a reduction in their taxes, pay down the debt, and meet urgent domestic priorities such as health care, education, and the environment, and to do so in a fiscally responsible way.

And although there are many elements of the reconciliation bill as re-

ported out of committee which I support—marriage penalty relief, for example—one of my concerns with this tax bill is that there is little margin for error if the surpluses not materialize.

In January 2000 the CBO baseline surplus estimate was \$3.2 trillion. In January 2001 the estimate was \$5.6 trillion, a \$2.4 trillion change. There is no guarantee that these projections will not swing back in the other direction and, in fact, there is \$4 trillion difference in surplus projections between the CBO baseline and the CBO "pessimistic" scenario.

Now, I am not saying that the pessimistic scenario is likely. But I do believe that we have to be cautious.

When I first came to the Senate in 1993 we were facing mounting deficits and an ocean of red ink. It took a lot of hard work and a lot of tough decisions to get spending under control. I am proud of what we accomplished, and don't want to go back to a situation where instead of paying down the Federal debt as we are now we are once again incurring more and more debt.

That is why I support this amendment, which creates a trigger mechanism that would make the implementation of the tax cuts—or any new large spending increases—dependent on the surplus projections actually materializing and continued success in meeting debt reduction targets.

The amendment creates a review mechanism for Congress to make sure that as we proceed with implementing the elements of the tax cuts in this legislation that the surpluses have actually materialized and that phasing-in new elements of the tax package would not set us back down the road to deficits and growing debt. Should the surplus drop, and we do not meet debt reduction targets, the tax cuts scheduled to phase-in the following year would be delayed by one year.

The advantage of this approach is that it makes tax cuts dependent on fiscal discipline and provides a brake against runaway spending. It is a safety valve against a return to deficits. In fact, Federal Reserve Chairman Greenspan endorsed this approach in testimony before the Senate earlier this year.

We have a great opportunity to provide tax cuts to the American people. We need to take advantage of this opportunity, but we must do so in a way that is fiscally responsible. I urge my colleagues to support this bipartisan trigger amendment.

Mr. BAUCUS. Mr. President, these remarks are meant as a substitution for remarks regarding the trigger amendment to H.R. 1836 when debated May 17, 2001. I speak in opposition to the pending amendment as it is based upon uncertainty, the uncertainty layered on top of the uncertainty is whether the trigger will be pulled.

We cannot legislate certainty. We can only exercise good judgment. We, as a Congress, in these next years, have

to decide what to do according to the circumstances at the time and exercise good judgment as to what we should do.

Unfortunately, we have not been able to explore the full policy ramifications of this amendment. We have not been able to adequately debate the substance of this amendment. It is because we are in this time constraint where everything is rushed, and nobody has been able to look at the substance. There have been no hearings on this.

First, you cannot and should not limit public debt management. The Treasury Secretary has to have discretion in debt management. Right off the top, we are tying the hands of the Treasury Secretary, for whatever reason he or she may want to borrow more, sell more securities, sell more bonds for domestic reasons or for international reasons.

Secretary Rubin has said consistently that we should not tie debt management to fiscal policy. You should not do it. It is wrong.

I understand why the Senator from Indiana is offering this amendment, and I understand why the Senator from Maine is offering the amendment.

Let me talk about the uncertainties in this amendment. This amendment essentially provides, I will summarize it, scheduled debt reduction targets, in even numbered years, and the Treasury Secretary will certify whether these targets are being met.

If they are not being met, then what happens? What is triggered is that reductions in taxes are automatically stopped, the growth rates for discretionary spending are automatically held at the rate of inflation, and entitlement spending increases are automatically stopped.

What about a Medicare drug benefit? I heard that entitlement increases will be stopped. No, I will stand corrected because I see the Senator from Indiana shaking his head. But the way it is drafted, new entitlement spending, as I understand it, is included in the trigger. But I stand to be corrected if that is not the case, but that is how I read this amendment now.

What happens in odd-numbered years? Things are not automatic. But any Member can stand up in this Chamber and say the targets have not been met and set a trigger process in motion. That is too much uncertainty.

Do we really want to tie our hands like that? Do we want to limit our discretion in future years as to what is best by putting this automatic provision in the law? Do we want to tie the hands of our Treasury Secretary in debt management? Do we really want to do that?

Talk about the steepness of the yield curve. Why is the yield curve steep? It is steep because the bond market today believes in the outyears that interest rates are going to rise. Why? Because the Federal Reserve has just lowered interest rates by 50 basis points. And because this tax cut is going to pass.

The market thinks there is going to be growth because of the stimulus of this tax cut and because of the lowering of short-term interest rates. As a result, the market believes there will be inflation in the outyears; therefore, long-term interest rates are going to be higher.

I believe the policy consequences of this amendment have not been fully explored and that it is based on too much uncertainty. We should not adopt it.

Mr. GRASSLEY. I raise two points about this amendment before I raise a point of order. A trigger would substantially reduce the economic benefits of tax cuts, making it more likely that the debt reduction target would not be met.

Second, there is no reason that we need a trigger to raise taxes. The reality is, Congress is not shy about raising taxes. We have actually reduced taxes in 1981, and we raised taxes in 1982, 1984, 1987, 1989, 1990, and 1993 before we reduced taxes once again in 1997.

What is rare is for Congress, then, to actually give tax relief such as we are now.

The Senator from Virginia, Mr. ALLEN, has an amendment to the amendment, and I defer to him at this time.

The PRESIDING OFFICER. The Senator from Virginia.

AMENDMENT NO. 751 TO AMENDMENT NO. 685

Mr. ALLEN. Mr. President, I have a second-degree amendment that I send to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Virginia [Mr. ALLEN] proposes an amendment numbered 751 to amendment No. 685.

Mr. ALLEN. I ask unanimous consent the reading of the amendment be dispensed.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To provide for a tax cut accelerator)

At the end of the amendment, add the following:

**TITLE \_\_\_—TAX CUT ACCELERATOR**  
**SEC. \_\_. TAX CUT ACCELERATOR.**

(a) REPORTING ADDITIONAL SURPLUSES.—If any report provided pursuant to section 202(e)(1) of the Congressional Budget Act of 1974, estimates an on-budget surplus, excluding social security and medicare surplus accounts, that exceeds such an on-budget surplus set forth in such a report for the preceding year, the chairman of the Committee on the Budget of the Senate shall make adjustments in the resolution for the next fiscal year as provided in subsection (b).

(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the Senate shall make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a):

(1) Reduce the on-budget revenue aggregate by that amount for the fiscal years included in such reports.

(2) Adjust the instruction to the Committee on Finance to increase the reduction

in revenues by the sum of the amounts for the period of such fiscal years in such manner as to not produce an on-budget deficit in the next fiscal year, over the next 5 fiscal years, or over the next 10 fiscal years and to require a report of reconciliation legislation by the Committee on Finance not later than March 15.

(3) Adjust such other levels in such resolution, as appropriate, and the Senate pay-as-you-go scorecard.

Mr. BAYH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Virginia has the floor.

Mr. ALLEN. There is a great deal of discussion about slowdowns or breaking on tax cuts. In my view, there ought to be an accelerator if more revenues come in than anticipated. Too often the Federal Government reminds me of the Jerry Reed tune: The Federal Government gets the gold mine but the taxpayers get the shaft.

In my view, if more gold is coming in for surplus, the taxpayers ought to get a few of those nuggets and they ought to get the first claim on surplus revenues coming in at a greater rate than anticipated.

This amendment makes sure if there are breaks, there also is an accelerator for the taxpayers. I hope it would be the pleasure of the Senate to adopt my amendment in the event that the amendment of the Senator from Indiana is adopted.

The PRESIDING OFFICER. Who yields time? There is 1 minute in opposition.

The Senator from Michigan.

Ms. STABENOW. I ask my colleagues for the opportunity for an up-or-down vote on this very important trigger. I ask we vote no on the Allen amendment and instead support this bipartisan amendment.

We thank Senator SNOWE for working with us on an amendment that simply says we will not use Medicare and Social Security trust funds for either tax cuts or increased spending. The tax cuts go into place under our amendment, as does the spending, through the normal budget process, but the point at which the revenues are not available, both the next phase of the tax cut and any increased spending above inflation, would be suspended until we had the opportunity to reassess the situation.

This is a recommendation given by Chairman Greenspan before our Budget Committee that puts before us the very important value of paying down our national debt first, protecting Social Security and Medicare first.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I raise a point of order on germaneness; that the underlying amendment is not germane to the provisions of the reconciliation measure. The point of order is against the amendment under section 305(b)(2) of the Budget Act.

Mr. BAYH. I move to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 49, nays 50, as follows:

[Rollcall Vote No. 118 Leg.]

YEAS—49

Akaka	Dorgan	Lincoln
Bayh	Durbin	Mikulski
Biden	Edwards	Murray
Bingaman	Feinstein	Nelson (FL)
Boxer	Graham	Nelson (NE)
Cantwell	Harkin	Reed
Carnahan	Hollings	Reid
Carper	Inouye	Sarbanes
Chafee	Jeffords	Schumer
Cleland	Johnson	Snowe
Clinton	Kennedy	Specter
Collins	Kerry	Stabenow
Conrad	Kohl	Torricelli
Corzine	Landrieu	Wellstone
Daschle	Leahy	Wyden
Dayton	Levin	
Dodd	Lieberman	

NAYS—50

Allard	Enzi	McConnell
Allen	Feingold	Miller
Baucus	Fitzgerald	Murkowski
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Rockefeller
Brownback	Gregg	Santorum
Bunning	Hagel	Sessions
Burns	Hatch	Shelby
Byrd	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Cochran	Hutchinson	Thomas
Craig	Inhofe	Thompson
Crapo	Kyl	Thurmond
DeWine	Lott	Voivovich
Domenici	Lugar	Warner
Ensign	McCain	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 49, the nays are 50. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

The Senator from Montana.

AMENDMENT NO. 686, WITHDRAWN

Mr. BAUCUS. Mr. President, on behalf of Senator LANDRIEU, I ask her amendment be withdrawn. We are working on it. I think we will find a way.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 687

The PRESIDING OFFICER. The question is on agreeing to amendment 687 offered by Senator GRAHAM of Florida.

Mr. GRAHAM. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. Mr. President, this amendment has two principal provisions. First, it stands for the principle that we should have a series of tax bills

before the Congress where we can consider one at a time, rather than a single gargantuan bill as is before us tonight. Second, we believe the purpose of the first tax bill should be to deal with the first economic challenge of America, which is a slowing economy.

I would like to call on my colleague, Senator CORZINE, for discussion.

Mr. CORZINE. Mr. President, let me say it is clear we have a need to take out an economic insurance policy on an economy for which the Federal Reserve judged it needed to reduce interest rates five times—2½ percent—in less than 4 months. I think there is clear need to address rising unemployment, making sure that consumer confidence stays secure. If we want to have those economic assumptions strong, we should pass this bill.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, this is a key amendment that would destroy the bipartisan tax bill that we have before us. He proposes to stimulate the economy by expanding the range of the income eligible for the new 10-percent rate. But Senator GRAHAM has not emphasized the tremendous price that would be paid, and that would be eliminating the rest of the tax bill. The only thing that would survive is the 10-percent rate. Worst of all, the Senator's proposal would actually increase taxes on middle-income Americans because a family of four with \$60,000 in taxable income would pay \$100 more in taxes under the Graham amendment than they would pay under our bipartisan tax bill when fully phased in.

If this amendment is successful, Senator GRAHAM then would, of course, destroy our bipartisan effort to provide \$1.3 trillion tax relief.

The PRESIDING OFFICER. The time of the Senator has expired.

The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS), is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 35, nays 64, as follows:

[Rollcall Vote No. 119 Leg.]

YEAS—35

Akaka	Dorgan	Murray
Biden	Feingold	Nelson (FL)
Bingaman	Graham	Reed
Boxer	Hollings	Reid
Byrd	Inouye	Rockefeller
Cantwell	Johnson	Sarbanes
Clinton	Kennedy	Schumer
Conrad	Kerry	Stabenow
Corzine	Leahy	Torricelli
Daschle	Leahy	Wellstone
Dayton	Lieberman	Wyden
Dodd	Mikulski	

NAYS—64

Allard	Bayh	Breaux
Allen	Bennett	Brownback
Baucus	Bond	Bunning

Burns	Gramm	Miller
Campbell	Grassley	Murkowski
Carnahan	Gregg	Nelson (NE)
Carper	Hagel	Nickles
Chafee	Harkin	Roberts
Cleland	Hatch	Santorum
Cochran	Helms	Sessions
Collins	Hutchinson	Shelby
Craig	Hutchinson	Smith (NH)
Crapo	Inhofe	Smith (OR)
DeWine	Jeffords	Snowe
Domenici	Kohl	Specter
Durbin	Kyl	Thomas
Edwards	Landrieu	Thompson
Ensign	Lincoln	Thurmond
Enzi	Lott	Voivovich
Feinstein	Lugar	Warner
Fitzgerald	McCain	
Frist	McConnell	

NOT VOTING—1

Stevens

The amendment (No. 687) was rejected.

AMENDMENT NO. 688

The PRESIDING OFFICER. There will now be 2 minutes evenly divided on the Graham amendment No. 688.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. GRAHAM. Mr. President, when President Bush sent us his proposal for the repeal of the estate tax, he suggested that both the State and the Federal components of that estate tax be treated equitably. Twenty percent of the estate tax collected by the Federal Government is remitted to our 50 States in the form of a State credit. The other 80 percent stays in the Federal Treasury.

Under the bill that is before us, half of the State's share will go out of effect as of January 1, 2002, and the other half will go out of effect as of January 1, 2005, and the Federal share does not go out of effect until January 1, 2011.

So what we are essentially saying is, we are rejecting the recommendation of the President. We are saying that we are going to get ours first, and let the States have to eat a substantial amount of this reduction beginning January 1 of next year.

My State, as probably most of yours, has already passed its budget for the next fiscal year. Gov. Jeb Bush told me today it is going to cost him approximately \$200 million in this year's already-passed budget.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. GRAHAM. I recommend that my colleagues look at the letter from the NGA as to what this will do to your State. Call your Governor and support this amendment.

The PRESIDING OFFICER. The Senator's time has expired.

Who yields time in opposition?

The Senator from Iowa.

Mr. GRASSLEY. This amendment was offered at 11 p.m., Thursday, so you have not had a chance to take into consideration what he proposes to provide for the State treasuries at the expense of the Federal Treasury.

What Senator GRAHAM has not shared is that his zeal to protect the State treasuries is at the expense of the American taxpayer and, most importantly, the estate tax reform provisions in this bill.

If you would read from his amendment: Beginning on page 64 strike through page 66. What that really says is: Strike all estate tax reductions. Strike all State death tax changes and slash the unified credit.

We may have heard from Governors, obviously, on this. Do we believe that the Governors really believe our bipartisan death tax reform package should be slashed for the mere convenience of State treasuries?

Do we really believe that the American taxpayer with estates between \$2 million and \$4 million should accept the burden of funding the States' coffers merely because the States have already drafted a budget and they do not want to get around to drafting another budget for a couple years?

I ask that you kill this amendment. The PRESIDING OFFICER. The question is on agreeing to Graham amendment No. 688. The yeas and nays have been ordered.

The clerk will call the roll. The legislative clerk called the roll. Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 120 Leg.]

YEAS—39

Akaka	Dorgan	Lieberman
Biden	Durbin	Mikulski
Bingaman	Feinstein	Murray
Boxer	Graham	Nelson (FL)
Byrd	Harkin	Reed
Cantwell	Hollings	Reid
Carper	Inouye	Rockefeller
Clinton	Johnson	Sarbanes
Conrad	Kennedy	Schumer
Corzine	Kerry	Stabenow
Daschle	Kohl	Thomas
Dayton	Leahy	Torricelli
Dodd	Levin	Wellstone

NAYS—60

Allard	Edwards	Lugar
Allen	Ensign	McCain
Baucus	Enzi	McConnell
Bayh	Feingold	Miller
Bennett	Fitzgerald	Murkowski
Bond	Frist	Nelson (NE)
Breaux	Gramm	Nickles
Brownback	Grassley	Roberts
Bunning	Gregg	Santorum
Burns	Hagel	Sessions
Campbell	Hatch	Shelby
Carnahan	Helms	Smith (NH)
Chafee	Hutchinson	Smith (OR)
Cleland	Hutchison	Snowe
Cochran	Inhofe	Specter
Collins	Jeffords	Thompson
Craig	Kyl	Thurmond
Crapo	Landrieu	Voinovich
DeWine	Lincoln	Warner
Domenici	Lott	Wyden

NOT VOTING—1

Stevens

The amendment (No. 688) was rejected.

Mr. LOTT. Mr. President, I move to reconsider the vote, and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MOTION TO COMMIT

The PRESIDING OFFICER. There are 2 minutes equally divided on the Wellstone motion to commit. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. WELLSTONE. Mr. President, this motion will provide \$120 billion over the next 10 years for children and education. We do this by cutting the tax cuts for the top .7 percent, although a couple will still be able to have tax cuts up to \$8,400 a year. This is just half of the Harkin amendment. Fifty-two Senators voted to take money out of the tax cuts and put it into children and education. We need 60 votes on this amendment. In other words, even after this amendment passes, you have \$10 for tax cuts and you will have \$1 for children and education. That seems to be balance to me. I hope there will be a strong vote for this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I appreciate the Senator from Minnesota always speaking strongly for the need to do more for education, but this is not the place for this particular issue. In addition, this motion, if it went into effect, would delay the over \$30 billion of tax incentives for education that we already have in this bipartisan bill.

This amendment also is not germane. Consequently, I raise a point of order on the germaneness of this provision on a reconciliation measure and that the amendment will come under section 305(b)(2) of the Budget Act.

Mr. WELLSTONE. Mr. President, I move to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second. The question is on agreeing to the motion. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 41, nays 58, as follows:

[Rollcall Vote No. 121 Leg.]

YEAS—41

Akaka	Daschle	Hollings
Bayh	Dayton	Inouye
Biden	Dodd	Johnson
Bingaman	Dorgan	Kennedy
Boxer	Durbin	Kerry
Byrd	Edwards	Kohl
Cantwell	Feingold	Landrieu
Clinton	Feinstein	Leahy
Conrad	Graham	Levin
Corzine	Harkin	Lieberman

Mikulski	Reid	Stabenow
Murray	Rockefeller	Wellstone
Nelson (FL)	Sarbanes	Wyden
Reed	Schumer	

NAYS—58

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (NE)
Bennett	Frist	Nickles
Bond	Gramm	Roberts
Breaux	Grassley	Santorum
Brownback	Gregg	Sessions
Bunning	Hagel	Shelby
Burns	Hatch	Smith (NH)
Campbell	Helms	Smith (OR)
Carnahan	Hutchinson	Snowe
Carper	Hutchison	Specter
Chafee	Inhofe	Thomas
Cleland	Jeffords	Thompson
Cochran	Kyl	Thurmond
Collins	Lincoln	Torricelli
Craig	Lott	Voinovich
Crapo	Lugar	Warner
DeWine	McCain	
Domenici	McConnell	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 41, the nays are 58. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the motion falls.

Mr. LOTT. I move to reconsider the vote, and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Iowa.

AMENDMENT NOS. 697 AND 701, WITHDRAWN

Mr. GRASSLEY. Mr. President, I ask unanimous consent that Senator HATCH's amendment No. 697 and Senator KERRY's amendment No. 701 be withdrawn. We are working on those in other ways, so that Members understand.

The PRESIDING OFFICER. Without objection, it is so ordered. The amendments are withdrawn.

AMENDMENT NO. 703

The PRESIDING OFFICER. The question is on agreeing to amendment No. 703, authored by the Senator from West Virginia, Mr. BYRD.

The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, Congress has the opportunity to ensure the long-term solvency of Social Security and Medicare. This tax cut, however, would squander that opportunity.

My amendment would reduce the size of the tax cut and place the savings into a reserve fund for Social Security reform, Medicare reform, and a prescription drug benefit. This amendment would retain those tax cuts included in the bill that would benefit lower and middle-income taxpayers, such as the creation of a 10-percent bracket, expansion of the child credit, marriage penalty relief, pension reform, education tax incentives, and alternative minimum tax relief.

This amendment would also retain the estate tax relief provided in the bill through an increased exemption credit. But the amendment would strike from

the bill the marginal rate reductions and the estate and gift tax repeal, both of which would only benefit the wealthiest taxpayers in the Nation, so that those funds can be redirected into Social Security and Medicare reform.

Unlike the underlying bill, this amendment would help to ensure that Social Security and Medicare benefits are available for future retirees, while still providing a substantial tax cut that would be more evenly distributed amongst the American taxpayers.

I hope the Senators will vote to support the amendment.

Mr. GRASSLEY. Mr. President, the Senator from West Virginia has very well described what his amendment does, and that description in itself gives the reasons why we should be against it.

No. 1, it would deny the death tax relief this bill provides with a credit up to \$4 million to help the estates from paying the estate tax.

This will also be a massive tax increase compared to the bill before us because it eliminates all relief in marginal rates except for the 10-percent rate. And also it would eliminate the entire estate tax amendments we have.

Also, I believe this amendment is not germane, and I raise the point of germaneness on a reconciliation measure because it does not comply with section 305(b)(2) of the Budget Act.

Mr. BYRD. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable sections of that act for the purposes of the pending amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 39, nays 60, as follows:

[Rollcall Vote No. 122 Leg.]

YEAS—39

Akaka	Dorgan	Kohl
Biden	Durbin	Leahy
Bingaman	Edwards	Levin
Boxer	Feingold	Lieberman
Byrd	Feinstein	Mikulski
Cantwell	Graham	Murray
Carper	Harkin	Nelson (FL)
Clinton	Hollings	Reed
Conrad	Inouye	Reid
Corzine	Jeffords	Rockefeller
Daschle	Johnson	Sarbanes
Dayton	Kennedy	Stabenow
Dodd	Kerry	Wellstone

NAYS—60

Allard	Burns	DeWine
Allen	Campbell	Domenici
Baucus	Carnahan	Ensign
Bayh	Chafee	Enzi
Bennett	Cleland	Fitzgerald
Bond	Cochran	Frist
Breaux	Collins	Gramm
Brownback	Craig	Grassley
Bunning	Crapo	Gregg

Hagel	McCain	Smith (NH)
Hatch	McConnell	Smith (OR)
Helms	Miller	Snowe
Hutchinson	Murkowski	Specter
Hutchison	Nelson (NE)	Thomas
Inhofe	Nickles	Thompson
Kyl	Roberts	Thurmond
Landrieu	Santorum	Torricelli
Lincoln	Schumer	Voinovich
Lott	Sessions	Warner
Lugar	Shelby	Wyden

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 39 and the nays are 60. Three fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 707, WITHDRAWN

Mr. GRASSLEY. Mr. President, for Mr. JEFFORDS, I ask unanimous consent that amendment No. 707 be withdrawn.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 707) was withdrawn.

AMENDMENT NO. 695

The PRESIDING OFFICER. The question is on agreeing to amendment No. 695 offered by Senator DODD of Connecticut.

Mr. DODD. Mr. President, very briefly, what this amendment does is to try to provide some resources for reducing the level of the national debt. We are spending \$220 billion a year in interest payments on the debt, a number that is vastly in excess of what it ought to be.

We also believe, in addition to reducing the debt, in providing resources for nontransportation infrastructure needs—water, wastewater systems, sewage systems, schools. We are told that some \$23 billion a year for the next 20 years every year will be needed just to repair water and wastewater treatment facilities in the United States.

My amendment takes the rate reductions for the top income earners from 39.6 to 38. And it also modifies the estate tax to accommodate reducing that national debt and providing resources for the infrastructure needs of this country.

You are never going to have economic growth if you continue to have debt amounting to the levels we do and if you don't invest in the basic infrastructure of this country. For those reasons, I urge adoption of the amendment.

Mr. GRASSLEY. Mr. President, I urge the defeat of this amendment. We have hundreds of thousands of American taxpayers who deserve immediate tax relief and they are being cast aside if this amendment is adopted.

For instance, the unified credit would only be \$2 million in the year 2010, whereas our bipartisan RELIEF Act raises the unified credit to \$4 million per person.

Remember, that is \$3 million per family, no strings attached. You don't need to have a family farm or a family

business. The RELIEF Act makes it simple. There is no long-term lien. It is simple. The death tax stays at 60 percent under this amendment. There is no repeal, no help at all. I urge the defeat of this amendment. Also, the marginal rate tax cuts are scaled back.

Finally, even though the Senator talks about infrastructure, this amendment spends not one penny on infrastructure.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 39, nays 60, as follows:

[Rollcall Vote No. 123 Leg.]

YEAS—39

Akaka	Dodd	Kohl
Biden	Dorgan	Leahy
Bingaman	Durbin	Levin
Boxer	Feingold	Lieberman
Byrd	Feinstein	Mikulski
Cantwell	Graham	Murray
Carper	Harkin	Reed
Chafee	Hollings	Reid
Clinton	Inouye	Rockefeller
Conrad	Jeffords	Sarbanes
Corzine	Johnson	Schumer
Daschle	Kennedy	Stabenow
Dayton	Kerry	Wellstone

NAYS—60

Allard	Ensign	Miller
Allen	Enzi	Murkowski
Baucus	Fitzgerald	Nelson (FL)
Bayh	Frist	Nelson (NE)
Bennett	Gramm	Nickles
Bond	Grassley	Roberts
Breaux	Gregg	Santorum
Brownback	Hagel	Sessions
Bunning	Hatch	Shelby
Burns	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Carnahan	Hutchison	Snowe
Cleland	Inhofe	Specter
Cochran	Kyl	Thomas
Collins	Landrieu	Thompson
Craig	Lincoln	Thurmond
Crapo	Lott	Torricelli
DeWine	Lugar	Voinovich
Domenici	McCain	Warner
Edwards	McConnell	Wyden

NOT VOTING—1

Stevens

The amendment (No. 695) was rejected.

AMENDMENT NO. 691

The PRESIDING OFFICER (Ms. SNOWE). The question is on agreeing to the Kyl amendment No. 691. The Senator from Arizona.

Mr. KYL. Madam President, this amendment would provide a \$500 tax credit for contributions to scholarship funds which could then be given to parents and needy families to enroll their children in the school of their choice. It is an idea that is now being tried in several States, including my own State of Arizona. It is an idea whose time has come.

The Federal Government should provide a tax credit for this purpose, but I

understand a point of order will be raised against the amendment. I ask the Senator from Montana, will there be a point of order raised against the amendment?

Mr. BAUCUS. Madam President, there will be a point of order raised.

Mr. KYL. Madam President, the point of order would be well taken, although the amendment is a darned good amendment, and I hope we will be able to vote on it again some other time. In the interests of time this evening, I will not move to challenge the point of order.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Madam President, I appreciate the generosity and cooperation of the Senator from Arizona.

The point of order is well taken. It is not good policy. I think we are making progress tonight. This is the first time we are going to move along here in a way that does not occupy a lot of time.

Madam President, the pending amendment is not germane. Therefore, I raise a point of order the pending amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The point of order is well taken. The amendment falls.

Who seeks recognition? The Senator from North Dakota.

AMENDMENT NO. 713

Mr. DORGAN. Madam President, if your priority is to help folks on the family farm or family business or their kids or grandkids, then support estate tax reform and my amendment. But if your priority is to make sure, as Leona Helmsley put it, "Only little people pay taxes," support the committee bill.

The committee bill also repeals the estate tax in its entirety for all estates in 2011, even the most wealthy estates. My amendment does not. It does abolish the estate tax for all family farms and all family businesses passed on to the qualified heirs who continue to operate them in 2003. It exempts from the estate tax all family businesses and family farms in that category 8 years earlier than the committee's does. My amendment also contains the \$4 million unified credit, the 45-percent rate. The only difference is my legislation would continue to impose an estate tax on the estates of billionaires and those in the upper income areas. I think that is a reasonable thing to do. But I do, in this amendment, believe we ought to repeal the estate tax obligation on family businesses and family farms transferred to qualified heirs. This will do it in 2003. The committee bill will do it 8 years later.

Those who have talked about this issue as their priority certainly ought to support this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, an unlimited family business deduction sounds good, but what does it really mean? Really in the end, nothing. It totally guts the estate tax reform. It

postpones rate decreases. It postpones meaningful unified credit increases until the year 2011. The RELIEF Act gives American taxpayers \$3 million by the year 2006 and Senator DORGAN does not.

The RELIEF Act is simple. Under our bill, there are no requirements, no long-term obligations to the IRS. I ask you to give real relief now and do that by defeating this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered.

The clerk will call the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 43, nays 56, as follows:

[Rollcall Vote No. 124 Leg.]

YEAS—43

Akaka	Dayton	Leahy
Baucus	Dodd	Levin
Bayh	Dorgan	Lieberman
Biden	Durbin	McCain
Bingaman	Edwards	Mikulski
Boxer	Feingold	Reed
Byrd	Graham	Reid
Cantwell	Harkin	Rockefeller
Carnahan	Hollings	Sarbanes
Chafee	Inouye	Schumer
Cleland	Johnson	Stabenow
Clinton	Kennedy	Torricelli
Conrad	Kerry	Wellstone
Corzine	Kohl	
Daschle	Landriau	

NAYS—56

Allard	Fitzgerald	Murray
Allen	Frist	Nelson (FL)
Bennett	Gramm	Nelson (NE)
Bond	Grassley	Nickles
Breaux	Gregg	Roberts
Brownback	Hagel	Santorum
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Campbell	Hutchinson	Smith (NH)
Carper	Hutchison	Smith (OR)
Cochran	Inhofe	Snowe
Collins	Jeffords	Specter
Craig	Kyl	Thomas
Crapo	Lincoln	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Voinovich
Ensign	McConnell	Warner
Enzi	Miller	Wyden
Feinstein	Murkowski	

NOT VOTING—1

Stevens

The amendment (No. 713) was rejected.

Mr. LOTT. I move to reconsider the vote.

Mr. BROWNBACK. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 717

The PRESIDING OFFICER. The question is on agreeing to Bingaman amendment No. 717.

The Senator from New Mexico.

Mr. BINGAMAN. Madam President, have the yeas and nays been ordered on this amendment?

The PRESIDING OFFICER. Yes.

Mr. BINGAMAN. Madam President, I offer this amendment on behalf of myself and Senator REID of Nevada.

Last Thursday, President Bush made a series of recommendations to the Congress to adopt credits and deductions to encourage the country to do what is needed to deal with the energy crisis that he and many of us see.

Many of those same tax proposals are contained in a bill that Senator MURKOWSKI introduced earlier this year and are also contained in a bill I introduced with various Democratic colleagues earlier this year.

This is the time that we should step up to that challenge and pass those tax recommendations to deal with our energy situation. There are credits for energy-efficient appliances, energy-efficient commercial buildings, and energy-efficient residential construction. There are credits for hybrid vehicles.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BINGAMAN. I urge my colleagues to support this amendment.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Madam President, while I support many of the statements of my good friend, there are several fatal flaws in the amendment. There are 23 provisions in the 141-page amendment. I do not know the cost of all of these tax changes.

On the last page of this amendment, the Senator attempts to offset its cost by delegating to the Secretary of the Treasury the authority to adjust tax rates. This is an unprecedented delegation of authority. I believe it is unconstitutional.

Further, the amendment allows the unelected Secretary of the Treasury to raise the new 10-percent rate on low-income taxpayers to 12 percent or 15 percent or the Secretary could raise the 28-percent bracket on middle-income families to 29 percent or 30 percent. The Secretary of the Treasury has no constitutional authority to set tax rates. That is what we were elected to do.

I believe we should develop an energy policy in the Energy Committee and in the Finance Committee, not on the floor of the Senate. We have not had any hearings on the proposal. I look forward to working with Senator BINGAMAN in both committees to develop a rational energy policy.

Madam President, the pending amendment is not germane to the provisions of the reconciliation measure. I, therefore, raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. BINGAMAN. Madam President, I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 43, nays 56, as follows:

[Rollcall Vote No. 125 Leg.]

YEAS—43

Akaka	Dorgan	Lieberman
Bayh	Durbin	Lincoln
Biden	Edwards	Mikulski
Bingaman	Feingold	Murray
Boxer	Feinstein	Nelson (FL)
Cantwell	Graham	Reed
Carnahan	Harkin	Reid
Carper	Hollings	Sarbanes
Cleland	Inouye	Schumer
Clinton	Johnson	Stabenow
Conrad	Kennedy	Torricelli
Corzine	Kerry	Torrstone
Daschle	Kohl	Wyden
Dayton	Leahy	
Dodd	Levin	

NAYS—56

Allard	Enzi	Miller
Allen	Fitzgerald	Murkowski
Baucus	Frist	Nelson (NE)
Bennett	Gramm	Nickles
Bond	Grassley	Roberts
Breaux	Gregg	Rockefeller
Brownback	Hagel	Santorum
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Byrd	Hutchinson	Smith (NH)
Campbell	Hutchison	Smith (OR)
Chafee	Inhofe	Snowe
Cochran	Jeffords	Specter
Collins	Kyl	Thomas
Craig	Landrieu	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voivovich
Domenici	McCain	Warner
Ensign	McConnell	

NOT VOTING—1

Stevens

The PRESIDING OFFICER. On this vote the yeas are 43, the nays are 56. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 660

The PRESIDING OFFICER. The question now occurs on the McCain amendment No. 660. The Senator from Arizona.

Mr. McCAIN. Madam President, this amendment would cut the top tax rate for the wealthiest individuals from 39.6 percent to 38.6 percent and devote the resulting savings that would have gone to this group to lower and middle-income taxpayers by increasing the number of individuals who pay the 15-percent tax rate. When it is finally phased in, this amendment will place millions of taxpayers now in the 28-percent tax bracket into the 15-percent tax bracket. Under this amendment, unmarried individuals can make nearly \$30,000 and married individuals can make \$50,000 and still be in the 15-percent tax bracket.

I urge its adoption and yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, most of those paying the top marginal rate are small business owners and farmers operating their businesses as sole proprietorships or S-corporations.

A study recently released by the Treasury shows that under the President's proposal—this is the President's proposal but still germane—77 percent of the money going to cut the top 39.6-percent rate would go to small business owners. These small business owners make up 63 percent of the tax returns that would benefit from reducing the top rate. Small business owners are, of course, the engine of growth that runs our economy. These are the people who plow their tax money and their tax relief right back into their businesses, increasing wages, hiring more workers.

The number of small businesses that could benefit from a cut in the top rate, for instance, in the State of Arizona, is around 267,000 small businesses. I seriously question how much we really gain by attacking these small businesses with high rates.

Another twist is, for those of you who are interested in disabled children and kids with special needs, there are special needs trusts. These trusts for the disabled can be easily subject to taxation at the top rate of 39.6 percent.

I urge Members to vote down the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. INOUE. Madam President, on this vote, I have a pair with the Senator from Alaska (Mr. STEVENS). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withhold my vote.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 49, nays 49, as follows:

[Rollcall Vote No. 126 Leg.]

YEAS—49

Akaka	Dorgan	Lincoln
Bayh	Durbin	McCain
Biden	Edwards	Mikulski
Bingaman	Feingold	Murray
Boxer	Feinstein	Nelson (FL)
Byrd	Graham	Reed
Cantwell	Harkin	Reid
Carnahan	Hollings	Rockefeller
Carper	Hollings	Sarbanes
Chafee	Jeffords	Schumer
Clinton	Johnson	Specter
Collins	Kennedy	Stabenow
Conrad	Kerry	Torricelli
Corzine	Kohl	Wellstone
Daschle	Landrieu	Wyden
Dayton	Leahy	
Dodd	Levin	
	Lieberman	

NAYS—49

Allard	Domenici	Lott
Allen	Ensign	Lugar
Baucus	Enzi	McConnell
Bennett	Fitzgerald	Miller
Bond	Frist	Murkowski
Breaux	Gramm	Nelson (NE)
Brownback	Grassley	Nickles
Bunning	Gregg	Roberts
Burns	Hagel	Santorum
Campbell	Hatch	Sessions
Cleland	Helms	Shelby
Cochran	Hutchinson	Smith (NH)
Craig	Hutchison	Smith (OR)
Crapo	Inhofe	
DeWine	Kyl	

Snowe	Thompson	Voivovich
Thomas	Thurmond	Warner

PRESENT AND GIVING A LIVE PAIR—1

Inouye

NOT VOTING—1

Stevens

The amendment (No. 660) was rejected.

Mr. LOTT. Madam President, I move to reconsider the vote.

Mr. GRAMM. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MOTION TO COMMIT

The PRESIDING OFFICER. The question is now on agreeing to the motion of the Senator from Arizona.

The Senator from Arizona is recognized.

Mr. McCAIN. Madam President, the intention of this amendment is to commit until we can find out exactly what our expenditures are going to be for national defense. Recent articles and information clearly indicate that there will be very little, if any, left over for a supplemental for any funding that I personally campaigned that the men and women of the armed services would receive for a national defense system.

I don't expect to win on this, but I can assure you that with this tax cut going through as it is, with all of the additional spending that I have observed over the last few years, which I see no change in whatsoever, we will not have enough money to defend this Nation's vital national security interests.

We are embarked on an unusual and dangerous course of action, a massive tax cut without any indication or evidence whatsoever of how much we are going to need to spend to defend this Nation. I urge great caution as we embark on this enterprise because it may be a very expensive price to pay.

I will take a voice vote on this amendment.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, first of all, we all appreciate the Senator's concern about defense because he is very much an authority in that area. I am confident, however, that the budget resolution we passed has provided adequate funding for defense. This amendment would undo all of our efforts to provide significant cuts at all marginal rates. Besides, we have \$500 billion in the contingency fund that we will be able to use to draw on if additional money for defense is needed.

I urge my colleagues to vote no.

The PRESIDING OFFICER. The yeas and nays have been ordered. There needs to be consent to vitiate them.

Mr. GRASSLEY. I ask unanimous consent that the yeas and nays be vitiated.

Mr. REID. Objection.

Mrs. BOXER. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. GRASSLEY. Madam President, I make a point of order that the amendment is not germane to the provisions