Mr. REID. If the Senator will withhold, if the managers will agree, we will work to see what needs to be done.

Mr. GRASSLEY. I believe Senator BAUCUS would agree with me. I have been asked now if we can do it this way. We will recess until 1:30, but we would vote on the amendment by the Senator from Virginia and the Senator from Maine just prior to final passage. So we would have this rollcall vote and then final passage.

The PRESIDING OFFICER. The Chair asks the Senator from Iowa, is he making that part of his unanimous consent request?

Mr. WARNER. I so request, Mr. President.

Mr. GRASSLEY. Mr. President, I make that as part of my unanimous consent request.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Reserving the right to object, will the Senator from Iowa allow the recess to end at 1:40?

Mr. GRASSLEY. Mr. President, I change my unanimous consent request that the Senate stand in recess now until the hour of 1:40.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Thereupon, the Senate, at 12:38 p.m., recessed until 1:40 p.m. and reassembled when called to order by the Presiding Officer (Ms. STABENOW).

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

AMENDMENT NO. 789

Mr. GRASSLEY. Madam President, I send a managers' amendment to the desk. It has been agreed to by the two managers. I ask unanimous consent the amendment be agreed to, the motion to reconsider be laid upon the table, and any statements regarding these amendments be printed in the RECORD.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Iowa [Mr. GRASSLEY], for himself and Mr. BAUCUS, proposes an amendment numbered 789.

Mr. GRASSLEY. 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.'')

Mr. LEAHY. Madam President, I am pleased the managers' amendment includes language identical to S. 694, the Artist-Museum Partnership Act, I introduced with Senator BENNETT earlier this year. I would like to thank Senator BENNETT for his leadership on this issue and also would like to thank Senators BINGAMAN, COCHRAN, DASCHLE, DODD, DOMENICI, JEFFORDS, JOHNSON, KENNEDY, LIEBERMAN, LINCOLN, REID, and WARNER for cosponsoring this bill.

This bipartisan legislation will enable our country to keep cherished art works in the United States and preserve them in our public institutions, while erasing an inequity in our Tax Code that currently serves as a disincentive for artists to donate their works to museums and libraries. Our bill would allow artists, writers and composers who donate works to museums and libraries to take a tax deduction equal to the fair market value of the work. This is something that collectors who make similar donations are already able to do.

There is an inequality in the current tax law where artists who donate self-created works are only able to deduct the cost of supplies such as canvas, pen, paper, ink. This is unfair to artists and it hurts museums and libraries, large and small, that are dedicated to preserving works for posterity.

In my State of Vermont, we are incredibly proud of the great works produced by hundreds of local artists who choose to live and work in the Green Mountain State. Displaying their creations in museums and libraries helps develop a sense of pride among Vermonters and strengthens a bond with Vermont, its landscape, its beauty and its cultural heritage. Anyone who has gazed at a painting in a museum or examined an original manuscript or composition, and has gained a greater understanding of both the artist and the subject as a result, knows the tremendous value of these works. I would like to see more of them, not fewer, preserved in Vermont and across the country.

I thank the Chairman and ranking member of the Finance Committee for including this legislation in the managers package. I hope that the provision will be retained by the Conference Committee.

Mr. NELSON of Florida. Madam President, the Boxer-Nelson of Florida amendment seeks to safeguard public health and improve our nation's drinking water by aiding water companies to secure tax-exempt bond to comply with the 10 parts per billion arsenic drinking water standard.

Ironically, we offer this amendment today, May 23, 2001, one day after Environmental Protection Agency finalized its decision to delay implementation of a new arsenic standard until February 22, 2002.

Thus, the 1942 arsenic standard of 50 parts per billion, a standard put in place before arsenic was known to cause cancer, remains the standard for our nation's drinking water.

This is true despite the scientific data which shows that the 50 parts per billion standard could result in one additional case of cancer for every 100 people consuming drinking water.

The EPA knows arsenic is dangerous. In fact, the EPA has found another danger associated with arsenic in addition to cancer: genetic alteration of our DNA. In April of this year, a team of EPA scientists published a report in ''Chemical Research Toxicology'' that demonstrates that in addition to causing cancer, arsenic can induce genetic alterations to human DNA.

The risks associated with arsenic are widely known not just in this country, but throughout the world. For that reason, the European Union and the World Health Organization have endorsed the 10 parts per billion standard.

Costs did not prevent the European Union or the World Health Organization from protecting their citizenry from the risks associated with arsenic. Costs should not prevent the United States either.

Mr. CRAIG. Mr. President, I am very pleased that the tax reconciliation package we have passed today contains an amendment that I offered along with Senator LANDRIEU. That amendment is the text of the Hope for Children Act, which we introduced back in January as S. 148.

I greatly appreciate the consideration this amendment has received from Chairman GRASSLEY, who has long been a leader in the area of adoption and foster care. He and Senator BAUCUS, along with the staff of the Finance Committee, have been extremely responsive to me and my staff as we worked through this amendment, and I thank them for their support of America's adopting families.

As my colleagues know, this legislation will continue and improve on two current tax provisions that are helping so many Americans who seek to form families through adoption: the adoption tax credit and the exclusion for employer-provided adoption benefits. These provisions are due to expire at the end of this year, and the Hope for Children Act will remove that sunset. It will also double the basic tax credit and exclusion, to $10,000. For a family adopting a child with special needs, the current credit of $6,000 will rise to $10,000; perhaps more important to these families, their credit will no longer be tied to cumbersome and inflexible IRS regulations that exclude a wide range of legitimate adoption expenses related to children with special needs. Our legislation will also make it possible for more families to qualify for the full credit and exclusion, by lifting the cap on income eligibility.

These are sound, necessary measures that truly help families. The Senate should be proud they are a part of our tax reconciliation package, and I hope they will be preserved in the upcoming conference with the House of Representatives. It is important to note that just last week, the House unanimously passed its version of the Hope for Children Act, H.R. 622. While that action suggests there is a consensus supporting the adoption tax credit, I strongly believe the Senate's version of that language is preferable, and I encourage the Senate's conferees to work to keep the Senate language intact.

Mr. President, there are still hundreds of thousands of children in this country and around the world who are waiting for permanent, safe, loving families. It is these children who are the focus of the Hope for Children Act, and it is on behalf of these children that I thank all my colleagues for supporting an amendment that will help make the promise of adoption a reality. I look forward to seeing this language preserved by the conference, adopted by the House and Senate, and sent to President Bush to be signed into law.

Mr. GRASSLEY. I renew my request, Madam President.

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

The amendment (No. 789) was agreed to.

UNANIMOUS-CONSENT AGREEMENT

Mr. GRASSLEY. Madam President, I ask unanimous consent no additional amendments to the pending reconciliation bill be in order other than consideration of the Collins-Warner amendment. I ask further consent that, following the disposition of the amendment described above, the bill be advanced to third reading, and a vote occur on passage, all without any intervening action, motion, or debate.

Finally, I ask, following the vote, the Senate insist on its amendments, request a conference with the House, and the Chair be authorized to appoint conferees on the part of the Senate, those conferees being: Senators GRASSLEY, HATCH, MURKOWSKI, NICKLES, GRAMM, BAUCUS, ROCKEFELLER, DASCHLE, and BREAUX.

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

UNANIMOUS CONSENT AGREEMENT

Mr. GRASSLEY. I have one more unanimous consent request, Madam President. I ask unanimous consent that, following that, on Wednesday, following the passage of H.R. 1836, there be 1 hour of morning business equally divided between the two leaders or their designees. I further ask consent that, following that time, the Senate then proceed to executive session and the Committee on Foreign Relations be discharged from further consideration of the nomination of Senator Howard Baker to be Ambassador to Japan. I further ask consent that the Senate then proceed to its consideration and there then be up to 2 hours for debate on the nomination, to be equally divided between the chairman and ranking member of the committee.

Finally, following the use or yielding back of time, that the Senate proceed to a vote on the nomination and, following that vote, the motion to reconsider be laid upon the table, the President be immediately notified of the Senate's action, and that the Senate then resume legislative session.

The PRESIDING OFFICER. Is there objection?

Mr. BYRD. Madam President, reserving the right to object.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Did I understand the last request to be that the nomination of Howard Baker to be Ambassador to Japan take place tomorrow?

Mr. GRASSLEY. Today.

Mr. BYRD. Very well. I was going to make the recommendation it be done today.

I thank the Senator.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

There are now 2 minutes evenly divided on the Collins-Warner amendment No. 675.

Who yields time?

The Senator from Maine.

AMENDMENT NO. 675, AS MODIFIED

Ms. COLLINS. Madam President, on behalf of Senator WARNER and myself, I send a modification of amendment No. 675 to the desk.

The PRESIDING OFFICER. Without objection, the amendment is so modified.

Amendment No. 675, as modified, is as follows:

(Purpose: 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)

At the end of title IV, add the following:

Subtitle E—Miscellaneous Education Provisions

SEC. 441. SHORT TITLE.

This subtitle may be cited as the "Teacher Relief Act of 2001".

SEC. 442. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals), as amended by section 431(a), is amended by redesignating section 223 as section 224 and by inserting after section 222 the following new section:

"SEC. 223. QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an eligible educator, there shall be allowed as a deduction an amount equal to the qualified professional development expenses paid or incurred by the taxpayer during the taxable year.

"(b) MAXIMUM DEDUCTION.—The deduction allowed under subsection (a) for any taxable year shall not exceed $500.

"(c) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE EDUCATORS.—For purposes of this section—

"(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

"(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction.

"(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—

"(i) is—

"(I) directly related to the curriculum and academic subjects in which an eligible educator provides instruction,

"(II) designed to enhance the ability of an eligible educator to understand and use State standards for the academic subjects in which such educator provides instruction,

"(III) designed to provide instruction in how to teach children with different learning styles, particularly children with disabilities and children with special learning needs (including children who are gifted and talented), or

"(IV) designed to provide instruction in how best to discipline children in the classroom and identify early and appropriate interventions to help children described in subclause (III) to learn,

"(ii) is tied to—

"(I) challenging State or local content standards and student performance standards, or

"(II) strategies and programs that demonstrate effectiveness in increasing student academic achievement and student performance, or substantially increasing the knowledge and teaching skills of an eligible educator,

"(iii) is of sufficient intensity and duration to have a positive and lasting impact on the performance of an eligible educator in the classroom (which shall not include 1-day or short-term workshops and conferences), except that this clause shall not apply to an activity if such activity is 1 component described in a long-term comprehensive professional development plan established by an eligible educator and the educator's supervisor based upon an assessment of the needs of the educator, the students of the educator, and the local educational agency involved, and

"(iv) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the goals of the preceding clauses.

"(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as in effect on the date of the enactment of this section.

"(2) ELIGIBLE EDUCATOR.—

"(A) IN GENERAL.—The term 'eligible educator' means an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in an elementary or secondary school for at least 900 hours during a school year.

"(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as so in effect.

"(d) DENIAL OF DOUBLE BENEFIT.—

"(1) IN GENERAL.—No other deduction or credit shall be allowed under this chapter for any amount taken into account for which a deduction is allowed under this section.

"(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified professional development expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.".

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a), as amended by section 431(b), is amended by inserting after paragraph (18) the following new paragraph:

"(19) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—The deduction allowed by section 223.".

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting ''223,'' after ''221,''.

(2) Section 221(b)(2)(C) is amended by inserting ''223,'' before ''911''.

(3) Section 469(i)(3)(E) is amended by striking ''and 221'' and inserting '', 221, and 223''.

(4) The table of sections for part VII of subchapter B of chapter 1, as amended by section 431(c), is amended by striking the item relating to section 223 and inserting the following new items:

''Sec. 223. Qualified professional development expenses.

''Sec. 224. Cross reference.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and shall expire on December 31, 2005.

SEC. 442. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by adding at the end the following new section:

''SEC. 30B. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible educator, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the qualified elementary and secondary education expenses which are paid or incurred by the taxpayer during such taxable year.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed $250.

''(c) DEFINITIONS.—

''(1) ELIGIBLE EDUCATOR.—The term 'eligible educator' has the same meaning given such term in section 223(c).

''(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—The term 'qualified elementary and secondary education expenses' means expenses for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by an eligible educator in the classroom.

''(3) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means any school which provides elementary education or secondary education (through grade 12), as determined under State law.

''(d) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any expense 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.

''(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 to elementary and secondary school teachers who provide classroom materials.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and shall expire on December 31, 2005.

Ms. COLLINS. The modifications have been agreed to by the amendment sponsors and the Chair and ranking member of the Committee on Finance, whom we thank for their valuable assistance. I understand there are now 2 minutes divided?

The PRESIDING OFFICER. The Senator is correct.

Ms. COLLINS. I would appreciate being notified when I have used 30 seconds, so Senator WARNER, the coauthor of this amendment, can have the remaining 30 seconds.

The PRESIDING OFFICER. The Senator will be notified.

Ms. COLLINS. Mr. President, the Collins/Warner teacher relief amendment would support the expenditures of teachers who strive for excellence beyond the constraints of what their schools can provide. Our amendment enjoys the bipartisan support of several of our colleagues, including Senators LANDRIEU, COCHRAN, ALLEN, GORDON SMITH, HARKIN, MIKULSKI, JACK REED, DEWINE, HUTCHINSON, DODD, and ENZI as well as the endorsement of the National Education Association, American Federation of Teachers, American Association of School Administrators, National School Boards Association, National Association of State Boards of Education, Council for Exceptional Children, National Center for Learning Disabilities, and the National Board for Professional Teaching Standards support the Collins/Warner Teacher Relief Amendment of 2001. I ask unanimous consent these support letters be printed in the RECORD.

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

NATIONAL EDUCATION ASSOCIATION,
Washington, DC, May 16, 2001.

Senator SUSAN COLLINS,
U.S. Senate,
Washington, DC.

DEAR SENATOR COLLINS: On behalf of the National Education Association's (NEA) 2.6 million members, we would like to express our support for your amendment to the Senate tax bill to provide tax benefits for educators' professional development and classroom supply expenses.

As you know, teacher quality is the single most critical factor in maximizing student achievement. Ongoing professional development is essential to ensure that teachers stay up-to-date on the skills and knowledge necessary to prepare students for the challenges of the 21st century. Your proposed tax deduction for professional development expenses will make a critical difference in helping educators access quality training.

We are also very pleased that your amendment would provide a tax credit for educators who reach into their own pockets to pay for necessary classroom materials, including books, pencils, paper, and art supplies. A 1996 NEA study found that the average K–12 teacher spent over $400 a year out of personal funds for classroom supplies. For teachers earning modest salaries, the purchase of classroom supplies represents a considerable expense for which they often must sacrifice other personal needs.

We thank you for your leadership in introducing this important amendment and look forward to continuing to work with you to support our nation's educators.

Sincerely,

MARY ELIZABETH TEASLEY,
Director of Government Relations.

NATIONAL BOARD FOR PROFESSIONAL TEACHING STANDARDS™,
Arlington, VA, May 21, 2001.

Hon. SUSAN COLLINS,
U.S. Senate,
Washington, DC.

DEAR SENATOR COLLINS: The National Board for Professional Teaching Standards (NBPTS) is pleased to lend its support to the Teacher Relief Act of 2001 as an amendment to H.R. 1836, the Tax Reconciliation Bill. As you know, National Board Certification is one of the most demanding and prestigious voluntary professional development programs available to our nation's teachers. The tax deductions proposed in the Teacher Support Act of 2001 would provide much needed financial relief to teachers seeking to improve their teaching practice.

National Board Certified Teachers (NBCTs) are the best example of quality teaching and National Board Certification reflects the highest standards in professional development and assessment. Allowing teachers to deduct professional development expenses, such as those associated with National Board Certification, is an important supplement to the policies and programs of states and school districts that support the mission of the NBPTS to establish high and rigorous standards for what accomplished teachers should know and be able to do.

We look forward to continuing our work with you in promoting the vital link between high quality professional development and higher student achievement.

Sincerely,

BETTY CASTOR,
President.

NATIONAL ASSOCIATION OF STATE BOARDS OF EDUCATION,
Alexandria, VA, May 21, 2001.

Hon. SUSAN COLLINS,
U.S. Senate,
Washington, DC.

DEAR SENATOR COLLINS: We are writing to applaud your efforts to provide tax benefits for elementary and secondary school teachers through the Teacher Relief Act, which will be offered as an amendment to S. 1, the Better Education for Students and Teachers Act (BEST). Teachers are the most influential school-based factor in a student's academic success. Your legislation will not only facilitate better trained teachers, but reward teachers for their classroom investments.

Quality professional development activities can significantly increase student learning and improve teaching practice. Allowing K–12 teachers a $500 annual tax deduction for professional development expenses is a straightforward solution to help promote ongoing teacher training that is individually directed and designed. It is one important element in realizing the ultimate goal of effective and comprehensive professional development programs.

In addition to their time, teachers also pay for a significant amount of their classroom and instructional materials out of their own pockets. Because these expenses are frequently not reimbursed, they constitute an educational donation that is too often overlook. Your proposal addresses this fact by providing teachers with a 50% tax credit (up to $250 annually) for out of pocket classroom expenses that will financially reimburse teachers and enrich students' classroom settings.

We appreciate your efforts and attention to address this critical situation. NASBE looks forward to working with your office to enact federal initiatives benefiting the instructional needs of America's teachers.

Sincerely,

DAVID GRIFFITH,
Director of Governmental Affairs.

AMERICAN ASSOCIATION
OF SCHOOL ADMINISTRATORS,
May 17, 2001.

Senator SUSAN COLLINS,
Russell Senate Office Building, Washington, DC.

DEAR SENATOR COLLINS: On behalf of the American Association of School Administrators, representing more than 14,000 public school superintendents and school system leaders, we would like to express our strong support for the Collins/Warner/Landrieu teacher tax credit amendment (amendment #675).

Passage of the Teacher Relief Act would provide teachers with two well-deserved benefits: a tax deduction for professional development and a tax credit for out-of-pocket classroom expenses. Together with Senators John Warner and Mary Landrieu you have outlined a solution to a critical problem facing teachers and educational professionals: the lack of reimbursement for excess expenses incurred by teachers. All too often schools lack the funds to provide teachers with adequate classroom supplies or continuing education. Dedicated teachers frequently opt to pay for books, paper, supplies, and professional development with their own money. Ideally we should not be asking our teachers to make such a burdensome financial sacrifice; the least we can do is make sure that those teachers are partially reimbursed for their expenses.

The Collins/Warner/Landrieu amendment should not be thought of as a tax benefit for teachers; it should be thought of as educational reform. The Teacher Relief Act helps guarantee that America's children are taught by qualified professionals in well-equipped classrooms. Thank you for your continuing support of public education.

Sincerely,

JORDAN CROSS,
Legislative Specialist.

In fact, the tax deductions proposed in the Teacher Support Act of 2001 would provide much-needed financial relief to teachers seeking to improve their teaching practice through advanced course work, and assist those teachers seeking advanced certification, such as the National Board or additional educational endorsements.

In the midst of the education and tax debates, we are asking our colleagues in the Senate now to overlook the selfless efforts of teachers and the financial sacrifices they make to improve their instructional skills and the classrooms in which they teach.

Senator WARNER deserves enormous credit for focusing the Senate's attention, through a sense-of-the-Senate resolution to the education bill, on the need to provide tax relief for our teachers.

Senator WARNER's sense-of-the-Senate resolution which I was proud to cosponsor, passed by a vote of 95–3.

Our amendment would first allow teachers, teacher's aides, principals, and counselors to take an above-the-line tax deduction for their professional development expenses.

Second, the bill would grant educators a tax credit of up to $250 for books, supplies, and equipment they purchase for their students. The tax credit would be established at 50 percent of such expenditures, so for every dollar in supplies a teacher spent, the teacher would receive 50 cents of tax relief.

I greatly admire the many educators who have voluntarily reached deep into their pockets to pay for additional training and course work for themselves, and also to finance additional supplies and materials for their students. By enacting these modest changes to our Tax Code, we can encourage educators to continue to take the formal course work in the subject matter which they teach and to avail themselves of other professional development opportunities.

The relief that our Tax Code now provides to teachers is simply not sufficient. By and large, most teachers do not benefit from the current provisions that allow for limited deductibility of professional development and classroom expenses. Teachers, out of their own generosity, are reaching deep into their pockets to improve their teaching.

Now, under the current law, the problem is that teachers do not reach a sufficient level to be able to deduct the costs of their professional development and classroom supplies. By allowing teachers to take the above-the-line deduction for professional development expenses and a credit for classroom expenses paid out of pocket, our amendment takes a fair, progressive approach that will provide a modicum of relief to our Nation's schoolteachers.

I should note that most of our colleagues have already voted for very similar legislation. Last year, Senator KYL, Senator Coverdell, and I offered a similar amendment to the Affordable Education Act, which was adopted unanimously.

President Bush has eloquently stated: ‘‘Teachers sometimes lead with their hearts and pay with their wallets.’’

Our amendment makes it a priority to reimburse educators for just a small part of what they invest in the futures of our children.

I hope our colleagues will join us in support of this important legislation.

The PRESIDING OFFICER (Mr. CARPER). The Senator from Virginia.

Mr. WARNER. I join my distinguished colleague from Maine in a bipartisan effort with Senators DODD, MIKULSKI, HARKIN, and others. They have joined with us. This is not political. This is an amendment done for persons who teach our children. They simply take dollars out of their pocket and expend them for necessities in the classroom. All we are doing—it is not tax relief, a tax break—is returning those dollars to their pockets.

The education of our children can be no stronger than those to whom we entrust that educational responsibility. Let us recognize them with this very simple yet, I think, straightforward and heartfelt expression of the Senate.

I thank the managers. I believe they are about to say they are accepting the amendment. Could we have a rollcall vote for it?

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. GRASSLEY. Mr. President, Senators have modified their amendment considerably from its original language. We urge Members on both sides of the aisle to vote aye.

I yield the remainder of my time.

The PRESIDING OFFICER. All time is yielded back. The question is on agreeing to the amendment. The yeas and nays are ordered. The clerk will call the roll.

The result was announced—yeas 98, nays 2, as follows:

[Rollcall Vote No. 164 Leg.]

YEAS—98

Akaka	Dorgan	Lugar
Allard	Durbin	McCain
Allen	Edwards	McConnell
Baucus	Ensign	Mikulski
Bayh	Enzi	Miller
Bennett	Feinstein	Murkowski
Biden	Fitzgerald	Murray
Bingaman	Frist	Nelson (FL)
Bond	Graham	Nelson (NE)
Boxer	Gramm	Reed
Breaux	Grassley	Reid
Brownback	Gregg	Roberts
Bunning	Hagel	Rockefeller
Burns	Harkin	Santorum
Byrd	Hatch	Sarbanes
Campbell	Helms	Schumer
Cantwell	Hollings	Sessions
Carnahan	Hutchinson	Shelby
Carper	Hutchison	Smith (NH)
Chafee	Inhofe	Smith (OR)
Cleland	Inouye	Snowe
Clinton	Jeffords	Specter
Cochran	Johnson	Stabenow
Collins	Kennedy	Stevens
Conrad	Kerry	Thomas
Corzine	Kohl	Thompson
Craig	Kyl	Thurmond
Crapo	Landrieu	Torricelli
Daschle	Leahy	Voinovich
Dayton	Levin	Warner
DeWine	Lieberman	Wellstone
Dodd	Lincoln	Wyden
Domenici	Lott	

NAYS—2

Feingold	Nickles

The amendment (No. 675), as modified, was agreed to.

Mr. BAUCUS. Mr. President, I move to reconsider the vote.

Mr. ENZI. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER (Mr. WARNER). The Senator from Montana is recognized.

AMENDMENT NO. 787

Mr. BAUCUS. Mr. President, on behalf of Senator KERRY, I offer amendment No. 787. We neglected to put it in the package. It promotes tax simplification by expanding the current IRS demonstration project which combines State and Federal employment tax for reporting on a single form.

I ask unanimous consent that the amendment be taken up and adopted.

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

The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. KERRY, proposes an amendment numbered 787.

Mr. BAUCUS. 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 permit the disclosure of certain tax information by the Secretary of the Treasury to facilitate combined Federal and State employment tax reporting, and for other purposes)

On page 314, after line 21, add the following:

SEC. ___. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(5) is amended to read as follows:

''(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''.

THE PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 787) was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read a third time.

THE EITC

Mrs. LINCOLN. Mr. President, I rise to engage the chairman of the Finance Committee in a colloquy regarding the earned income tax credit otherwise known as the EITC. I thank the Chairman for including my provisions expanding the EITC in the tax bill. It has come to my attention, however, that the EITC has a detrimental impact on the small U.S. Territories that are subject to tax laws that automatically mirror our Federal tax laws. As a result, these small Territories, like the U.S. Virgin Islands, end up absorbing the entire cost of the EITC, which they can ill afford. The burden of this unfunded Federal mandate is exacerbated because these small Territories will also lose needed revenues as a result of the mirror effect of the income tax rate reductions mandated by this bill.

However, the problem can be mitigated by an agreement between the Treasury Department and the interested territorial governments to permit these governments to require that employers advance 60 percent of EITC payments to employees as currently permitted under Section 3507 of the Internal Revenue Code and the allow the employer to deduct these advance payments from FICA taxes the employer currently remits to the U.S. Treasury, as permitted by Section 3507, not from withholding taxes the employer remits to the territorial government. The remaining 40 percent of the EITC payments would continue to be paid by the territorial governments upon filing of an eligible employee's tax return. I believe that no substantive amendment to the Internal Revenue Code is necessary to allow for such an agreement.

I would like the chairman of the Finance Committee to include report language in the final tax conference report that directs the Treasury Department to enter into such an agreement with any territorial government that would like to do so.

Mr. GRASSLEY. I understand the concerns raised by the Senator from Arkansas and will attempt to address this issue in conference.

TAXATION OF SPECIAL NEEDS TRUSTS FOR THE DISABLED

Mr. FRIST. Mr. President, I had intended to introduce an amendment to modify the taxation of so-called ''special needs trusts'' for disabled persons. The problem that cries out for change was first brought to my attention by a Tennessee constituent who has been contributing funds annually to a special trust for a disabled child. Under current law, the income from such trusts is taxed at very high rates because the tax writers were concerned about possible abusive use of such trusts. After discussion with the two managers of the bill, I am persuaded that we can work together to craft a better solution to this problem than the one I was prepared to propose. Therefore, with the understanding that we can work together in coming months to develop a better answer, I will not seek a vote on my amendment at this time.

Mr. GRASSLEY. Mr. President, I thank the Senator from Tennessee for his willingness to work with us to craft a solution to a very real problem. He shares with the Ranking Member and I a long history of concern for American taxpayers struggling with the overwhelming expense and other demands of severely disabled relatives. As the Senator knows, Special Needs Trusts, also known as Supplemental Needs Trusts, are a common estate planning tool for assisting in the planning for the long-term financial needs of the disabled.

The Senator and others have helped bring to our attention the fact that these trusts are unduly burdened by the current trust tax requirements of Section 1(e) of the Internal Revenue Code. We recognize that these Special Needs Trusts will receive some relief under the Relief Act of 2001, but that more help is necessary. Therefore, I commit myself to the Senator from Tennessee to work with him and others to craft a solution to reduce the income tax burden imposed on special needs trusts and, simultaneously, to improve the lot of affected disabled Americans.

Mr. BAUCUS. Mr. President, I look forward to joining my colleagues from Tennessee and Iowa in working on this matter. I also hope our effort will give us an opportunity to address the problem of structured settlements, which are also funding mechanisms for the disabled. As the chairman knows, I have been trying to fix the structured settlement problem for a long time, and I welcome this chance to fix the two matters together.

HIGH SPEED RAIL

Mr. BIDEN. Mr. President, amendment 676 is essentially the High Speed Rail Investment Act I introduced with Senator HUTCHISON earlier this year, that has 57 cosponsors, including the Majority and Minority leaders. Indeed, a majority of the Finance Committee supports this bill, as well.

Both of the leaders have given us their public commitments to move this legislation this year, commitments to finish a job that was started in the last Congress.

As the Administration introduces its proposal for a new energy policy, as we read daily about increasing congestion on our highways and at our airports, we simply must make safe, clean, high-speed passenger rail a key component of our nation's transportation system.

I say that this is essentially the same as the legislation that I introduced with Senator HUTCHISON and others earlier this year. Actually, the amendment we are offering today is an improved version, that addresses two key concerns of many of our colleagues.

At the insistence of Senator BAUCUS, and with his cooperation, we have included new language with an unambiguous prohibition on the use of the Highway Trust Fund by States in meeting their matching requirements under this legislation. That is something that has always been important to him, and I am glad to say that we have reached an agreement on that issue.

Just as important, we have also added new language on the question of State and local taxation of the improvements that will come from upgrading rail lines around the country to carry high-speed passenger trains. I know that was a concern of Senator GRASSLEY, along with many other Senators.

As Senator BAUCUS knows, with this change the bill now has the support of the National League of Cities, the National Conference of State Legislatures, the United States Conference of Mayors, the National Association of Counties, and the Council of State Governments.

So, with the help of Senator BAUCUS, from now forward we have an improved version of the bill. This is the version we hope will move in the Finance Committee soon.

While supporters of this legislation are a majority in both the Finance Committee and here on the Senate floor, I will respect the wishes of Senator BAUCUS that we not ask for a vote today.

I am grateful that he is not only willing to sign on to this amendment, with the improvements he was seeking, but he is committed to helping us move this legislation through the Finance Committee and on to the floor as soon as we can.

This is an important move forward, and an important step toward fulfilling the commitments Senate leaders have made to move the High Speed Rail Investment Act this year.

I thank Senator BAUCUS for his help in this matter.

Mr. BAUCUS. Mr. President, I rise to make a commitment regarding the High Speed Rail Investment Act.

I support passenger rail in the United States and I support Amtrak. The State of Montana relies on Amtrak in the north and hopes to secure passenger rail in the south. Last Congress, I worked with Senators Lautenberg, Moynihan and Roth to protect the Highway Trust Fund from a raid by Amtrak. I have been working with Senator BIDEN this Congress to ensure a similar protection of the Highway Trust Fund.

I am extremely concerned about Amtrak ''Double Dipping,'' by raiding the Highway Trust Fund in addition to selling bonds. I was so concerned that I withdrew my name as a cosponsor of the bill.

I am pleased to say that since then, I have worked with Senator BIDEN on acceptable language to protect the trust fund. However, this language has not been added to the current High Speed Rail Investment Act, S. 250. It has been included in an amendment that Senator TORRICELLI filed during the mark-up of this tax package in the Finance Committee and that Senator BIDEN offered and withdrew today. I can support the language in this amendment.

I know that Senators TORRICELLI and Biden and others wanted to offer this amendment today. I appreciate that they withdrew this amendment, because I don't think that this language belongs on this tax bill. I feel very strongly that we need to examine this bill further before we include it in any package.

As ranking Democrat on this Committee, with the changes included in this amendment, it is my intention to go through the official Committee process of mark-up and hearings, before we let this amendment be voted on. I would like to hold a hearing within a month after the completion of this tax package.

Mr. TORRICELLI. Mr. President, I rise to bring my colleagues' attention to an important issue which affects the men and women who are charged with enforcing our nation's tax laws. While I am withdrawing my amendment to the tax reconciliation bill which affects Section 1203 of the IRS Restructuring and Reform Act, I hope that bringing this issue to the attention of the Senate, will allow us to address this important issue at a later time.

Section 1203 of the IRS Restructuring and Reform Act outlines 10 infractions for which IRS employees must be removed from employment. These areas of misconduct have become known as the ''Ten Deadly Sins''. As of last year, a total of 109 violations of any of the ten infractions outlined in Section 1203 had been substantiated. Of those 109 infractions, 102 were of Section 1203(b)(8), which subjects employees to mandatory termination for failure to file their federal tax return on time.

I believe that all IRS employees should be required to file their tax returns on time and abide by the IRS Rules of Conduct. I also strongly believe that those who do not abide by the Rules of Conduct should be held accountable for their actions. However, it would seem that mandatory dismissal, rather than supervisory discretion in applying penalties for these infractions, is unduly harsh. This point becomes clear when we learn that IRS employees have been and continue to face the loss of their jobs for filing their income tax returns late, even when they have a tax refund coming to them. There are no other taxpayers who are subject to any penalty for the late filing of a tax return with a refund due.

Close to a thousand charges have been filed against IRS employees under section 1203(b)(6), which subjects employees to mandatory terminations for ''harassment of, or retaliations against, a taxpayer. The latest data available shows that of the 830 investigations of these charges completed by the Inspector General for Tax Administration, none have been substantiated. Yet even though it appears that the overwhelming majority of these charges filed have been unfounded, the employees themselves must live under the constant fear of losing their jobs for sometimes more than a year, while the investigation of these charges goes on.

It would not be an overstatement to say that Section 1203 is having a chilling effect on the ability of employees at the IRS to perform their jobs. This notion is reflected in the fact that there has been a steadily declining audit-rate of non-compliant taxpayers. Making a minor change in the current law, as my amendment does, will do much to enable the overwhelming majority of honest, hardworking IRS agents to perform their duties in an efficient and professional manner.

I believe that my proposal strikes a reasonable balance which will permit IRS employees to do their jobs better, but will also maintain termination as a punishment for an employee who willfully harasses a taxpayer. As we continue to debate this reconciliation bill, which will make hundreds of changes to the tax code, I hope that we will make sure that the employees who we entrust to enforce these new laws are given the tools to do what they need to do.

While I now withdraw my amendment, I hope that this issue can be discussed by this chamber in the very near future.

Mr. FEINGOLD. Mr. President, I regret that I opposed a number of amendments to this legislation that I might otherwise support because they are not adequately offset.

The legislation before us already puts us at risk of raiding the Medicare and Social Security Trust Funds. We spent much of the past 8 years working to climb out of a deficit ditch, and this bill steers us right back toward it.

This is not authorizing legislation subject to the further scrutiny of an appropriations process. Unlike other measures that come before us, this bill and the amendments to it have a direct and immediate impact on our budget.

A number of amendments have been offered to this measure that, while laudatory in their goals, further aggravate the fiscal position in which the underlying bill puts us. Without language offsetting the cost of the proposal, the amendments only add to the already fiscally irresponsible cost of the bill.

For that reason, I have opposed many otherwise worthy amendments.

Mr. LIEBERMAN. Mr. President, I was pleased to cosponsor Senator SCHUMER's amendment which was offered last week to help families with the cost of college tuition. Although the amendment did not pass, I wanted to state for the record the reasons for my support.

The decisions we make today must reflect the enduring values we hold as a society. Two of those values are the ideas of opportunity and equality for every citizen. In today's complicated society, opportunity and equality depend in large part upon the level of a person's education. In other words, the more and the better an education one gets, the greater the chances that person will succeed economically. The College Board tells us that ''while the cost of college may be imposing to many families, the cost associated with not going to college is likely to be much greater.'' Indeed, over a lifetime, the gap in earning potential between a high school diploma and a college degree exceeds $1 million.

In addition, higher education is absolutely central to our ability to maintain our nation's global competitiveness. Highly trained, skilled workers making good wages are the engine that powers our economy, both because of the work they do and the revenue they generate as buyers and sellers of goods and services.

Yet, the cost of higher education is an increasing burden for American families. Since 1980, tuition at both public and private four-year colleges has increased on average more than 115 percent over inflation. A middle-income family spends an average of 17 percent of its annual income to send a child to a four-year public college today. If the family sends a child to a private college, the cost increases to an average of 44 percent of the family's income.

A family's financial status should not be the determining factor in whether a young person joins society with the advantages of higher education or not. Yet, families are understandably anxious about whether they will be able to provide their children with that educational advantage. They are similarly anxious about the debt burden their children may have to bear after graduation to pay off student loans.

America's families need help. This is why I introduced S. 888, the College Tuition Assistance Act of 2001, which is designed to provide tax relief to middle and lower income families who are struggling to pay these costs, both while a student is in school and after graduation when student loans come due.

Senator SCHUMER's amendment is an important step toward providing families with this type of help compared to what is now in the Finance Committee's bill. It increases the size of the tax deduction families may take to offset the burden of tuition payments. Senator SCHUMER's amendment also provides a larger tax credit for graduates paying interest on their student loans. Although the amendment failed, it recognized a critical issue.

Educational costs are difficult to bear, even for families who make a decent living. My bill would provide more relief to middle income families and would also extend a hand to lower income families, whose needs are far greater than the aid they receive to put their children through college. My bill also would provide relief sooner. So, I was pleased to support Senator SCHUMER's amendment and I intend to continue to fight for these provisions which would make a real difference for America's families.

Mr. NELSON of Florida. Mr. President, we have been down this road before. As a Congressman in 1981, I supported the Reagan tax cuts that were promoted as a cure-all for the economic ailments of that era. Instead, they led to year after year of increasing deficits, exploding national debt, and a series of tax increases enacted to stem the tide of red ink.

With fiscal discipline and a growing economy, we reversed that tide just 3 years ago. Since 1998, we have enjoyed surpluses instead of deficits. And we have been paying down the debt, reducing the massive interest costs that have burdened America's taxpayers.

But now the Government is about to dig into our pockets, pull out our credit cards again, and go stumbling down that road toward economic calamity. And—with smoke and mirrors—some are trying to hide the costs we'll incur along the way. By manipulating the starting and phase-in dates for the various tax cuts—and setting unlikely expiration dates on some of them—this bill is jury-rigged to fit within the $1.35 trillion allotted for tax cuts over 11 years in the Senate's budget resolution.

But, the fact is, it won't fit once we consider other tax breaks already in the pipeline and spending priorities such as defense, education and prescription drug benefits. And this bill does not guarantee to pay down the national debt.

Every Senator in this Chamber believes we will enact additional tax relief, and provide for our Nation's most pressing needs over the next decade. The additional untold story of this legislation is that—even if that were possible—the cost of this tax plan would triple in the next decade. Unless you believe we are simply going to take back the tax cuts we are promising today, you are talking about a price tag exceeding $4 trillion in the decade from 2012 to 2022—when the baby boomers will all be retired.

Is that how we are going to provide for prescription drugs under Medicare and shore up Social Security? By raiding their trust funds?

Is that how we are going to protect our environment, improve our Nation's schools and strengthen our military? By giving them fewer resources, instead of more, in the years to come?

And is that how we are going to keep our economy growing and prospering? By returning to deficit spending, ever-increasing national debt, and costly interest payments on that debt?

That is the road we are headed down. I have been down it before, and I'm convinced it's the wrong road. I am choosing instead to take the conservative road of fiscal responsibility.

I strongly support responsible tax cuts of nearly $1 trillion that would give Americans the relief they deserve. I voted for such cuts as some of us tried to amend both this bill and the earlier budget resolution. Specifically, I support tax cuts that meet four criteria—tax cuts that (1) do not raid Social Security; (2) do not raid Medicare; and (3) provide relief from the marriage tax penalty now, not later; and (4) pay down the national debt.

Instead we are left with a tax package that is fiscally irresponsible.

With all due respect to Senators GRASSLEY and BAUCUS, we are about to vote on a tax bill that largely promises future relief based on future surpluses that may not materialize. It poses a serious threat to our economy because it will use up what surplus there is so we cannot pay down the national debt. And it seriously threatens our Medicare and Social Security trust funds—not only in 2012 but beginning next year.

I promised the people of Florida I would do everything in my power to enact a substantial tax cut, which is balanced, in order to protect those trust funds and to continue paying down the national debt. I promised I would fight for a prescription drug benefit, and that I would work for better schools, a clean environment and a strong defense. I intend to keep those promises, and I must vote against this bill.

Ms. MIKULSKI. Mr. President, I rise today in opposition to the tax bill currently being debated on the floor today. Everybody agrees that we need tax relief. But we must do it in a way that is affordable, responsible, and ensures that we are on sound fiscal footing. Unfortunately, the Republican tax cut does none of these things. I will vote against this tax cut for three reasons: It is irresponsible, premature, and it does not meet the compelling needs of our Nation.

The Republican tax cut is irresponsible because it mortgages our future for lavish tax cuts. It is premature, there is no way to guarantee that the Republican tax cut will be here today and that the American people can count on it tomorrow.

Unfortunately, the size of this tax cut will put an extra strain on this country's cashflow just when we will need it the most, when baby boomers will retire.

Finally, this tax bill makes it impossible to meet the compelling needs of our Nation. It does not have an economic stimulus in 2001; the size of the tax cut will make it difficult to make balloon payments coming due on Social Security and Medicare; and it will be extremely unlikely that the money will be there to create a meaningful and reliable Medicare prescription drug benefit.

I support the Democratic alternative because it ensures that we are meeting the day to day needs of our constituents and the long range needs of our country. What does the democratic alternative provide? First, Democrats want to put $300 in your checkbook right away, today, this year. Or $600 per family. This would provide an immediate economic stimulus and help all Americans who are struggling to pay for skyrocketing gasoline and energy prices.

Democrats would also provide tax cuts for all income taxpayers by reducing the 15 percent tax bracket to 10 percent on the first $6,000 income. Additionally, we include significant marriage penalty and estate tax relief, we raise IRA and 401(k) contribution limits, double the child tax credit, make college tuition tax deductible and provide resources to schools and communities modernize and build new facilities. I am also pleased that our bill includes an extension of the adoption tax credit and makes permanent the Research and Development tax credit. The democratic plan is balanced, fiscally prudent, and leaves resources so we can continue to pay down our debt, and make the balloon payments coming due on Social Security and Medicare.

Unfortunately, the Republican tax plan papers over the fiscal realities of our country. We need to get back to basics, to save lives, save communities, and save America. What do I mean by this? Well, while we are in the midst of debating bloated tax cuts, we have Marines who are on food stamps. I don't see how we can meet our national security commitment, do a $1.35 trillion tax cut, and have Marines on food stamps.

The Marines say ''semper fi,'' ''always faithful.'' They are faithful to the United States and we have to be always faithful to the Marine Corps and to the military. That's why we must ensure that we have the resources to invest in core infrastructure programs, like the military, that will pay dividends in the future.

Democrats want to put money in people's pocketbooks, but we want to do it is a way that it is here today and in people's checkbooks tomorrow. We believe we're on the side of people who are middle class and those who are working their heart out to be able to get there.

I hope that my colleagues will join me in opposing the Republican tax cut. We should do what's responsible, honest, and allows us to meet the compelling human need in our nation today. The democratic alternative will put us on the right track to doing just that.

Mr. JOHNSON. Mr. President, I had intended to offer an amendment to H.R. 1836, the Reconciliation Tax Act, that would have called for a $1.7 billion increase in veterans health care funding. Senators BINGAMAN, WELLSTONE, DURBIN, and DORGAN supported my amendment. While I will refrain from offering my amendment today, I will nonetheless continue to fight for improved health care for our Nation's heroes.

In a few short days, Members of Congress will return home to participate in Memorial Day services around the country. There is no shortage of rhetoric to go around Congress in support of veterans benefits and veterans health care.

However, when the time comes for real decisions to be made on the prioritization of veterans issues in the budget, too many Members of this body are missing in action. A case in point occurred during debate of the budget resolution. Despite bipartisan support for increased funding for veterans health care in both the House and the Senate, the budget conference report include funding levels below that proposed by the administration.

Last week, I spoke with veterans from South Dakota who expressed their concern that the current level of funding in the budget conference report could mean long waits for appointments and reductions or cuts in vital services. These situations are not unique to my State and affect every VA hospital and clinic in the country.

When the current level of funding in the budget conference, the VA could be forced to delay and even deny needed care and slash vital programs. Long term care and other provisions authorized under the Millennium Health Care Act must be fully funded in order to be carried out. The VA is faced with salary increases and inflation which alone consume over $1 billion of health care dollars.

The Paralyzed Veterans of America, PVA, noted that the budget conference report ''pays a grave disservice to the sacrifice of the men and women who have served this Nation. By providing fewer resources than was provided in the House-passed version, or the Senate-passed version, the conference report breaks faith with veterans. By providing fewer dollars than even the Administration's inadequate request for health care and benefits delivery programs, the conference report calls into question the commitment of this Congress to sick and disabled veterans.''

The Veterans of Foreign Wars, VFW, described the budget conference report as ''sadly inadequate'' and unable to cover ''uncontrollable expenses such as health-care cost inflation, implementation of the congressionally mandated Millennium Health Care Act and other pressing initiatives.'' The Disabled American Veterans, DAV, and AMVETS noted that an additional $1.7 billion would provide necessary resources to meet the needs of the men and women who have served our nation and rely upon the VA for the health care they need.

With an additional $1.7 billion, we will have the resources for a VA veterans health care budget that can adequately offset years of underfunding, the higher costs of medical care caused by consumer inflation, medical care inflation, wage increases, and legislation passed by Congress. Only with this additional funding will the VA be unable to address the treatment of Hepatitis C, emergency medical services, increased cost due to medical inflation, and long-term care initiatives.

The Independent Budget, coauthored by AMVETS, the DAV, PVA, and the VFW, highlights the need to increase funding in a number of important health care initiatives including: an additional $523 million needed for mental health care; and additional $848 million necessary for long-term care; and additional $25 million needed to restore the Spinal Cord Injury program; and an additional $75 million to help homeless veterans.

The budget conference report is clearly inadequate to meet the needs of sick and disabled veterans. It is unacceptable that while the House provided an increase, and the Senate truly met the needs of the VA, we are left with a figure that is below the amount found in either resolution, below the amount recommended by the Senate Committee on Veterans' Affairs, below the amount initially requested by VA Secretary Principi, and far below the amount recommended by the Independent Budget.

The amount in the conference report fails to meet mandatory salary increases due to inflation, fails to meet medical care inflation, and returns us to the days of inadequate budgets to meet the needs of veterans. Our country's heroes deserve better, and I encourage my colleagues to honor their service by supporting increased funding for veterans health care.

I ask unanimous consent that letters of support for increased veterans health care be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Washington, DC, May 17, 2001.

Hon. TIM JOHNSON,
U.S. Senate,
Washington, DC.

DEAR SENATOR JOHNSON: It is my understanding that you will be offering an amendment to secure an additional $1.7 billion in funding for Department of Veterans Affairs' Medical Programs. On behalf of the 2.7 million members of the Veterans of Foreign Wars and our Ladies Auxiliary, I would like to take this opportunity to express our support for your amendment.

In partnership with other major Veterans Service Organizations, we produced the annual Independent Budget for VA where have identified the need for a minimum increase of $2.6 billion in VA's medical care account over FY 2001. The budget resolution for FY 2002 adopted by Congress has seen fit to prescribe a sadly inadequate $1 billion increase. If allowed to stand the VA medical care account would not even be able to cover uncontrollable expenses such as health-care cost inflation, implementation of the congressionally mandated Millennium Health Care Act and other pressing initiatives.

Your amendment would allow the VA to carry out its mission of providing timely access to quality healthy care for America's sick and disabled veterans.

We of the VFW, thank you for efforts on behalf of our nation's veterans.

Sincerely,

ROBERT E. WALLACE,
Executivee Director.

DISABLED AMERICAN VETERANS,
Washington, DC May 17, 2001.

Hon. TIM JOHNSON,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR JOHNSON: On behalf of the more than one million members of the Disabled American Veterans (DAV), I am writing to you to express our support for your amendment that would increase Department of Veterans Affairs (VA) health care funding to the level recommended by the Independent Budget (IB) for fiscal year (FY) 2002.

The Congressional Budget Resolution, H. Con. Res. 83, provides a discretionary spending increase of $1 billion. This recommended amount would not even cover the costs of mandated salary increases and the effects of inflation. The IB has identified an increase for VA health care of $2.6 billion over the amount provided in FY 2001. This recommended increase would provide the resources necessary for the VA to meet the needs of the men and women who have served our nation, and rely upon the VA for the health care they need.

Thank you for your efforts on behalf of our nation's sick and disabled veterans. Again, we strongly support your amendment to increase the amount available for VA health care up to the level recommended in the IB.

Sincerely,

ARMANDO C. ALBARRAN,
National Commander.

AMERICAN VETERANS,
Lanham, MD, May 18, 2001.

Hon. TIM JOHNSON,
U.S. Senate,
Washington, DC.

DEAR SENATOR JOHNSON: AMVETS fully supports your proposed amendment to increase funding for veterans hospital care and medical services.

Your proposed amendment would increase the budget for veterans health care by $1.7 billion above the Fiscal Year 2002 Budget proposed by the administration. It meets the level of funding suggested by The Independent Budget as necessary for the VA to live up to our country's commitment to veterans and their families.

Without an increase in VA health care, resources will be insufficient to meet the needs of the men and women who have served our Nation, and reply upon the VA for the health care they need.

Thank you for your continuing efforts to support our nation's veterans. We believe the price is not too great for the value received.

Sincerely,

DAVID E. WOODBURY,
Executive Director.

PARALYZED VETERANS OF AMERICA,
Washington, DC, May 18, 2001.

Hon. TIM JOHNSON,
U.S. Senate,
Washington, DC.

DEAR SENATOR JOHNSON: On behalf of the Paralyzed Veterans of America (PVA) I am writing to offer our support of your amendment to H.R. 1836 that would add $1.7 billion for veterans' health care. This amount, when added to the $1 billion provided in discretionary funding in the recently passed budget resolution, would bring veterans' funding close to the $2.7 billion recommended by the Independent Budget, which is co-authored by PVA.

The health care requirements of veterans were not met in the budget resolution. After realizing increases above the Administration's request in the House of Representatives, and achieving increases in the Senate that would have matched the Independent Budget's request, veterans' funding was cut back down to the level advocated by the Administration. This amount is simply not enough to meet the health care needs of sick and disabled veterans.

That is why your amendment is so essential—it would begin the process of meeting the true needs of the health care system dedicated to veterans. Again, PVA thanks you for offering this important amendment.

Sincerely,

JOSEPH L. FOX, SR.,
National President.

Mr. REED. Mr. President, I am in strong opposition to the tax cut bill that the Senate has been considering over the past few days. I am sorry to say that this legislation fails the basic tests of responsible government. It is fiscally irresponsible to use $1.35 trillion of the surpluses projected over the next 10 years to pay for a tax cut, since these estimated surpluses may never materialize. Even the Congressional Budget Office, CBO, acknowledges that there is considerable uncertainty in their forecasts. In fact, within the CBO's estimates, they suggest that even a 1 percent per year slower growth in GDP would reduce the 10-year surplus by $2.4 trillion. With that much uncertainty, this tax cut is too large and risks squandering the fiscal discipline that has been so hard fought and earned over the past several years. With these excessive revenue losses, we will certainly sacrifice our ability to adequately provide for critical programs in the areas of health care, education, the environment, transportation infrastructure, defense and further paying down of the national debt. Now, many of the supporters of this legislation also tout the theory that government should be run like a business. However, no chief executive of a corporation would allow dividends to be locked in for 10 years, when earnings forecasts are so unclear. In addition, no corporation would ever submit a budget that would have critical elements missing, such as is the case with defense spending in this budget.

The tax cut also fails the test of responsible budgeting. The bill before the Senate is so backloaded that the full costs don't appear in the 10-year estimates provided by the Senate Finance Committee. Analysis by the CBO and the General Accounting Office, GAO, shows that the retirement of the baby boom generation will put enormous pressure on the budget starting a little over a decade from now. This is at the exact time when the full cost of the tax cut will be felt and will almost surely aggravate the deficits that many analysts expect to emerge at that point. Simply put, this bill is far more expensive than it appears. For example, 60 percent of the costs in the legislation don't occur until the second half of this decade. Some of the most expensive provisions, such as the full repeal of the estate tax, don't appear until the last year, so their real costs are truly masked. Other provisions expire in 5 years, such as Alternative Minimum Tax relief and tuition tax deduction, so their full cost is hidden. The effect of these sunset provisions also ensure that these issues will have to be considered again by a future Congress. Some analysts have also suggested that if all of the provisions in the bill were effective immediately, the full cost over ten years would likely be over $2 trillion, while the costs in the next ten years could exceed $4 trillion. Lastly, this legislation is a sham as it purports to include a complete tax package for the next decade, when realistically, many more tax items that are expiring shortly, otherwise known as ''extenders,'' will have to be added down the road. Again, far too much money is in play here while budgetary gimmicks and tricks are dictating the process.

This tax cut is also markedly unfair. Cuts in marginal tax rates above the 15 percent bracket and repeal of the estate tax benefit a small group of taxpayers who have experienced remarkable growth in income and wealth over the past five years. However, the legislation appears to neglect one important group of people: those taxpayers in the 15 percent bracket. Although the proponents of this bill would suggest that most taxpayers are in the 28 percent bracket or higher, the facts are otherwise. Research by the Democratic staff of the Joint Economic Committee and the Budget Committee point out that an overwhelming majority of those who pay income tax are in the 15 percent bracket, close to 75 percent, and would get no benefit from the upper bracket rate cuts in this bill. Now, the bill does provide a tax cut for everyone who pays income tax by creating a new 10 percent tax bracket immediately, albeit a minuscule one for those in the lowest bracket. In addition, the bill makes the child credit refundable, and in a manner that reduces marginal tax rates for many working families with children. Both of those provisions are worthwhile and should in fact be expanded. Nonetheless, Citizens for Tax Justice, CTJ, has provided an analysis of the legislation's rate cuts, and many of its findings are disturbing, to say the least. Some of these include: the top one percent of all taxpayers, with income of $373,000 or more, would receive one-third of the entire tax cut; the top one percent would receive an average yearly tax cut of over $20,000, while the bottom 20 percent would receive an average yearly cut of $64; and the middle 20 percent of taxpayers, incomes ranging from $27,000 to $44,000, would receive 9 percent of the tax cut, an average of about $600 per year.

One prominent example of the unfairness in this tax bill is the repeal of the estate tax. Supporters of this legislation perpetuate the myth that the estate tax is a ''death tax.'' The truth is that 98 percent of Americans face no tax liability under the estate tax when they die. In fact, the repeal of the estate tax takes away budget resources that could be used to pay down the debt and increase national saving, and it uses those resources to benefit a tiny group of very wealthy taxpayers. The effect on the Treasury will be astounding: although the Finance Committee estimates the estate tax portion of the bill to cost $146 billion over 10 years, because this provision is backloaded, the real costs will come after full repeal in 2011, costing almost $1 trillion over the next ten years. The impact on states will also be overwhelming. A majority of the states use a ''pickup'' system for their estate tax, whereby they essentially receive a portion of the Federal estate tax receipts. I know that in my State of Rhode Island, the estate tax accounted for $34.2 million in state revenue for fiscal year 2000. What can $34.2 million pay for? In fact, it can pay for 681 more police officers, or 729 more firefighters, or 575 more elementary school teachers. If the estate tax is repealed, States like Rhode Island will no doubt have to make up the shortfall in revenue by raising State taxes or cutting their budgets. Total State revenue loss when the estate tax is fully repealed could exceed $9 billion. Toward what end is this repeal aimed? In 1999, Rhode Island had 134 estates that were subject to the estate tax, 15 of which were estates of $5 million or more. That is out of a total of about 486,000 taxpayers. Although the numbers for other States will fluctuate based on their size, we are again talking about a very small proportion of our whole population. That is why I have supported an alternative that would reform, rather than repeal the estate tax system. By raising the tax exemption levels to $4 million for individuals and $8 million for couples, almost all family-owned farms and businesses will be erased from the estate tax rolls. However, the tax would remain on the largest estates that have the ability, and the responsibility, to pay for the enormous wealth they have been fortunate enough to acquire.

To put things into perspective, the supporters of this bill and the Bush administration are hoping to pass a huge tax cut and increase military spending, while relying on rosy estimates of our economy 10 years down the line. Much of this debate recalls an earlier era during which Congress and the Reagan Administration attempted to do the same thing. Why are we rushing to pass a tax cut that is even more irresponsibly constructed than the 1981 tax cut; a tax cut which caused spiraling deficits and mounting debt in the 1980s and early 1990s? This bill takes the wrong approach and it is irresponsible. There is an approach we can take to provide meaningful and targeted tax relief to hard working American families, while ensuring that we have the resources to pay down the debt and invest more fully in our nation's environment, health care, education and other critical priorities. Sadly, the legislation before us rejects that balanced approach and embraces a policy which will threaten our prosperity and undermine our ability to respond to the needs of working American families.

Mr. KOHL. Mr. President, I rise to support this tax cut bill, though not with great enthusiasm and not without great trepidation. It is clear that a balanced tax cut is justified given the massive budget surplus we are experiencing. Whether this is that tax cut is a different question.

We have heard much this week about not letting the perfect be the enemy of the good. We have gone beyond that point with this bill. The debate now is whether we will let the good be the enemy of the acceptable.

The booming economy of the last few years has resulted in exploding tax revenues and growing budget surpluses. These surpluses present great opportunity and great risk. There is the opportunity to invest in unmet national needs; education, health care, retirement security, agriculture, child care. And there is opportunity to return some tax dollars to the hard working families whose productivity has driven our solid economic performance. As Federal Reserve Chairman Alan Greenspan has stated, a tax cut gets resources to those who know best how to take care of their families, the taxpayers themselves.

But with these opportunities come great risks. We are at risk of putting too much faith in multi-year projections of ever-growing surpluses. We are at risk of locking in revenue losses and deficits with which future Congresses and generations will have to grapple. The $1.35 trillion tax cut comes dangerously close to threatening the trust fund surpluses that protect Social Security and Medicare. That is why I cosponsored an amendment to put in place a "trigger" that would delay scheduled tax cuts if the trust fund surpluses were violated. That is also why I supported several attempt to bring the total tax cut number down and reserve some of those funds for spending priorities or debt reduction. Unfortunately, none of these amendments was accepted.

What was accepted, at the insistence of a groups of Democratic and Republican moderate Senators, was a sunset that ends all the tax cuts instituted in this bill after 10 years. At minimum, that will force Congress to reexamine the wisdom of the policies we put in place today and adjust them to fit with the economic and budget circumstances of tomorrow.

The other risk we face is passing a tax bill that tilts too much toward those who already have so much. I would have preferred a bill that included more relief for middle and lower income tax payers, and I supported numerous amendments to expand the tax benefits for these working families. None of those amendments passed.

That is not to say that this bill does not contain significant tax relief for these families. The provisions that expand and make refundable the child tax credit will make a real difference in the lives of millions of children struggling now in families living at or near the poverty line. These are gains that were not included in the House passed bill and that must be retained in the Conference Report to make the final bill acceptable. In addition, the Senate bill includes significant tax incentives for those who send their children to college and those trying to save for retirement. These too must be retained.

And finally, the bill contains a small provision on which I have worked for several years, the Child Care Infrastructure Tax Credit. This gives a modest tax incentive to employers who choose to invest in child care for their employees. This Nation clearly faces a crisis level shortage in quality child care—and quality child care is often the difference between work and welfare, between healthy children and struggling families. We win as a Nation and as an economy when we get employers involved in creating and supporting early childhood teachers and facilities.

These are all good reasons to vote for this bill. But there is another reason that overwhelms these all.

I am a Democrat who supports tax cuts. I am a moderate at a time when political power is wobbling from right to left. It is a certainty that a tax bill will be signed into law this year. If those like myself say "no" now, and push away from the table, we may be able to make some lofty political statements in time for the six o'clock news. But we take Democratic principles and the interests of working families with us. And I am not ready to do that.

So I vote in favor of this bill today with the hope and expectation that it remains a bill that benefits working families, students, retirees, and children tomorrow. And I commend Chairman GRASSLEY and the ranking member, Senator BAUCUS, for the clear effort and good faith with which they put together this bill.

Mr. ROCKEFELLER. Mr. President, I support a meaningful tax cut that provides all Americans with financial relief as quickly as possible, but I can not in good conscience support the bill before us today. The decision the Senate is faced with is not whether we should have a tax cut—no one can doubt that Democrats and Republicans alike want a tax cut. Rather, the question is how can we create a tax cut that is fair to the majority of working people and still have enough resources for other critical national priorities?

During the Senate's consideration of this bill, I supported a $900 million tax package that provides broad relief to all Americans—across the income spectrum—while ensuring sufficient funds for continued debt reduction and important programs like a Medicare prescription drug benefit. Unfortunately, the tax bill that we are on the brink of passing here today is significantly too large and is heavily skewed toward the most wealthy. If budget surpluses fail to materialize as projected, this bill will threaten our ability to fund urgent national priorities such as education and road construction, and could force us to dip into the Medicare and Social Security Trust Funds in the coming year just as the Baby Boomers begin to retire.

Mr. President, this bill is simply too large, given the enormous uncertainty of long-term budget projections. I believe that both President Bush's $1.6 trillion plan and this $1.35 trillion plan jeopardize our economic future and the long-term solvency of the Medicare and Social Security Trust Funds.

The facts are stark: Social Security payments will exceed income in 2015, and Medicare payments exceed income in 2010. We will be forced to tap into the Social Security Trust Fund principal in 2025 and the Medicare Trust Fund principal in 2017. In 2037, the Social Security Trust Fund will be exhausted, and the Medicare Trust fund will be exhausted even earlier, in 2025. I believe this tax bill jeopardizes the long-term solvency of Social Security and Medicare. These programs are fundamental for our seniors, and we have an obligation to ensure that both the Social Security and Medicare Trust Funds are protected before enacting massive tax cuts.

This tax bill is even larger than it appears, because it is backloaded in order to keep the real cost of the overall package hidden. Estate tax repeal does not occur until 2011, so its full cost is not included in the Budget Resolution numbers. Marriage penalty relief—which to me should be a higher priority than estate tax repeal because it helps all married taxpayers across-the-board—does not begin to phase in until 2006. Because of these late phase-ins, the true cost of this tax plan will not be apparent until the second 10 years. While the cost of the tax plan in the first 10 years is an estimated $1.35 trillion, the cost explodes in the second 10 years to $4 trillion.

The simple question we must ask is this: If we cannot afford these tax cuts now, then how will we afford them in the following decade, just as the Baby Boomers enter their retirement years?

There are other gimmicks in the tax bill designed to make the tax cut's impact look smaller than it actually is. For example, the tuition deduction sunsets in 2005, in order to keep the cost of the overall bill within the $1.35 trillion limit. But we all know from experience that the Congress will certainly renew this popular deduction in 2005 when it expires, so the relatively limited price tag for this provision is intentionally misleading.

This bill also fails to address the need to reform the alternative minimum tax (AMT). AMT was designed to make sure the very richest people paid their fair share of taxes, but as a result of this bill, almost 40 million mostly middle income taxpayers will actually pay substantially more in AMT by the end of the decade. This is a problem that will have to be dealt with in the next few years, or much of the tax relief in this bill will be nullified. Real AMT reform will cost several hundred billion dollars—an expense which is not accounted for in this tax bill.

Further, the majority has already asserted that it intends to pass additional corporate tax cuts this session. As large as this tax package is, the final figure will surely grow.

Another fundamental problem with this bill is that the lion's share of the tax relief it contains goes to the wealthiest Americans. Estate tax repeal was included in the bill, despite the fact that 98 percent of Americans who die are not subject to the estate tax and pass their estate on to their heirs tax free. Indeed, only 47,000 taxpayers in the entire country even pay the estate tax each year, and half of all estate taxes are paid by the wealthiest 0.1 percent of Americans. According to Responsible Wealth, the estate tax is repealed under this bill in 2011 at a cost of $60 billion—which effectively means we will need to tap into the Medicare Trust Fund in order to meet our obligations.

State and local taxes may need to be raised to make up for the loss of state estate tax revenues, which are also eliminated by this tax bill. Under the federal estate tax, taxpayers are allowed a credit up to a certain amount for payment of estate taxes, and many states, like West Virginia, tax up to the amount of the credit. If the estate tax is repealed, the credit will be eliminated as well, and West Virginia would lost over $20 million in revenue a year that is being used to fund critical state programs.

Another way this tax bill benefits the very wealthy is the cut in the top rate from 39.6 percent to 36 percent. The Joint Committee on Taxation estimates that the cost of this cut will be $114 billion. This is one of the more expensive provisions in the bill—but the top rate only takes effect at $297,000. So very few taxpayers, including only 0.3 percent of West Virginians, actually receive any benefit from it.

The Senate version of the tax plan does make some improvements in terms of fairness of the distribution of tax cuts. I strongly supported a provision to expand the Earned Income Tax Credit, so that families earning between $13,000–$16,000 a year will get the full EITC assistance. I also cosponsored Senator SNOWE'S amendment to give partial refundability of the enhanced child credit so that families with children can benefit from this tax cut. The bill gives families earning over $10,000 a 15 percent child credit, making the child credit partially refundable.

Both of these provisions are improvements, but they do not make up for a tax package that is otherwise unfair to our state, and an unnecessary bonanza for only the wealthiest. The provisions for low-income families and children account for just 5 percent of the $1.35 trillion package.

In addition, the low income improvements of this bill don't even benefit all families with children. Nearly 68,000 children in West Virginia won't be helped by the partial refundability provision because with incomes of less than $10,000 their families still do not ''earn enough.''

West Virginia taxpayers without children would receive little tax relief under the tax bill, according to Citizens for Tax Justice. The bill does nothing to relieve the real federal tax burdens faced by average West Virginians, who pay not only income taxes, but high payroll taxes and federal excise taxes.

During the Senate consideration of this bill, I offered an amendment to put a Medicare prescription drug benefit on equal footing with the tax cut for the wealthiest Americans—those in the uppermost income bracket. My amendment required that we enact a universal and affordable Medicare outpatient prescription drug benefit before the income tax cuts for the very wealthiest go into effect. The amendment was defeated 48–51, on a mostly party-line vote.

I sincerely believe my amendment would have put positive pressure on Congress to enact the Medicare prescription drug benefit we all promised our constituents. The vote tells me that many Members understand very well that the size of this tax cut threatens our ability to pass a Medicare prescription drug benefit.

In sum, the overall size of this tax package jeopardizes our economic future and the future solvency of Society Security and Medicare for today's workers and for our children. While the Senate version of the tax bill is an improvement over the House and Bush plan, too much of the tax cut still goes to the wealthiest, while hardworking West Virginia taxpayers—seniors, families with children, married couples, and singles—receive little or virtually no benefit. For these reasons, I cannot support this legislation.

Mr. FEINGOLD. Mr. President, I will vote against this tax bill because it is not fiscally responsible. This enormous tax cut may end up raiding the Medicare and Social Security Trust Fund balances. It risks a return to the annual budget deficits Congress worked so hard to eliminate. It will cause our Nation to miss what may be a once-in-a-lifetime opportunity to put our fiscal house in order by paying down debt, strengthening Social Security, and modernizing Medicare. And it does not fairly distribute its benefits. For these reasons, I must oppose it.

This is the most momentous budgetary vote in two decades. For with this vote, Congress appears poised to turn its back on 8 years of fiscal responsibility. With this vote, Congress appears willing to return to the deficit spending days of the 1980s.

I do believe that taxpayers deserve tax relief. With the favorable surpluses before us, we should cut taxes. I supported Senator CONRAD's proposal to cut taxes by $745 billion over the next 10 years. With its associated interest costs, that package would have devoted roughly $900 billion to tax relief.

But the tax cut in this conference report is too large relative to the surpluses that economists have projected. It seeks to devote $1.35 trillion to this one purpose. Interest costs could add another $400 billion to the cost.

We should not commit to tax cuts of this size before the projections of future surplus dollars have proved real, before we have ensured the long-term solvency of the vital Medicare system, before we have brought that program up-to-date with needed prescription drug and long-term-care benefits, and before we have done one single thing to prepare the vital Social Security safety net for the impending retirement of the baby boom generation.

With this bill, the Congress appears headed toward repeating the fiscal mistake it committed in 1981. Recall that back in 1981, they had surplus projections, too. In President Reagan's first budget, incorporating his major tax cut, the administration projected a $28 billion surplus in the fifth year, 1986. In the actual event, the Federal Government ran up a $221 billion deficit in 1986.

The 1980s saw the accumulation of more than $1.5 trillion in deficits and the tripling of the Federal debt held by the public. The Congress's decision to cut taxes too deeply in 1981 thus robbed the Nation of fiscal policy tools, and unduly constrained the Federal Reserve Bank in its monetary policy.

We risk committing that same error again today. As I have noted, the bill before us will cost at least $1.35 trillion in its first 10 years. And during this bill's second 10 years, the Center on Budget and Policy Priorities estimates that it will cost more than $4 trillion.

And those costs will come just as the Nation faces growing costs for Medicare and Social Security with the retirement of the baby boom generation. In their 2001 annual report, concluded under the Bush administration, the Trustees of the Medicare Hospital Insurance trust fund project that its costs will likely exceed projected revenues beginning in the year 2016. The Trustees say: ''Over the long range, the HI Trust Fund fails by a wide margin to meet our test of financial balance. The sooner reforms are made the smaller and less abrupt they will have to be in order to achieve solvency through 2075.''

Similarly, Social Security's Trustees remind us again this year that when the baby-boom generation begins to retire around 2010, ''financial pressure on the Social Security trust funds will rise rapidly.'' The Trustees project that, as with Medicare, Social Security revenues will fall short of outlays beginning in 2016. The Trustees conclude: ''We should be prepared to take action to address the OASDI financial shortfall in a timely way because, as with Medicare, the sooner adjustments are made the smaller and less abrupt they will have to be.''

This bill robs the nation of resources to deal with these important challenges.

As well, 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.

This is not a balanced bill. It is not balanced fiscally. And it is not fairly balanced in its benefits. I will therefore vote against it, and I urge my colleagues to vote against it as well.

Mr. KERRY. Mr. President, as we near completion of debate over this tax bill, I want to commend the Chairman of Finance Committee, Senator GRASSLEY, and the Ranking Democrat, Senator BAUCUS, for their good faith efforts to craft a tax bill and move it through the Finance Committee, that is no easy task, and I have enormous respect for their hard work and the extent to which they each listened to members from both sides of the aisle. I am particularly grateful to see that the Finance Committee included a proposal advocated by myself, Senator SNOWE, and Senator LINCOLN which would extend the child tax credit to perhaps as many as an additional 16 million children. The legislation's new child credit refundability provision amounts to nearly $70 billion in expanded relief for working families with children. That is truly an accomplishment.

Nevertheless, today we are considering more than a tax bill—and much more than a number of individual tax pieces. What we do here has consequence. Nothing happens in a policy vacuum, nothing happens that doesn't affect everything else we do for this economy, the choices we can and can not make for this country. This is more than just a tax bill. It is a blueprint for the next several years, and, as such, I am sorry to say it is a blueprint that jeopardizes the fiscal discipline that has been the foundation of the long-term economic growth our country has enjoyed in recent years.

This tax cut is one of the great lost opportunities of the last twenty years in American politics. I want a broad-based tax cut that reaches every American and I want it done in a way that's fiscally responsible. I'm not alone. We could have had that, instead, we have a tax cut that's based on projections that won't hold up and which I fear will, as a consequence, bring us back to deficit economics again in this country. It didn't have to be this way. No business in America pays out dividends to shareholders based on ten year profit projections—neither should the government.

As someone who worked hard to put the budget in the black, from Gramm-Rudman Hollings deficit reduction in 1986 when ''balanced budget'' was a dirty word for Democrats, to the tough vote in 1993, to the balanced budget in 1997, I can't stress enough how this vote takes the country in the wrong direction on the question of fiscal discipline.

President Bush has said over and over, it's your money, not the government's money. It's also your debt. Under the tax cut that's about to be sent to the floor all it takes is one dip in the economy, one blip in surplus projections, and we've returned to the days of deficit economics, and that means higher interest rates on student loans, on car loans, and on mortgages. It means we slow the economy. That's not fiscally responsible policy-making, and it's a departure from the course of fiscal conservatism that brought us the growth and prosperity of the last eight years.

We could have made a different choice. We could have had a one, a two, or a three year tax cut. We could have stimulated growth. If surpluses were here after that, we could have cut taxes again, and I've never seen a Congress that didn't like to cut taxes. But that's not what's happening here. Tax politics is trumping fiscal discipline and honest economic policy.

We know the history here, and we know what a departure this represents. In 1993, the Senate cast a difficult vote to commit the Congress and the country to getting the deficit under control. This tax bill, if passed, could well be the vote that casts away that fiscal discipline.

Last week, we voted on a budget resolution. That budget resolution is nonbinding. But it gives us a framework for understanding how all the different pieces—the tax bill, discretionary spending, Social Security, Medicare, and debt reduction, will fit together. In so doing, the budget resolution made certain assumptions, assumptions regarding the economy and assumptions regarding spending.

First, the budget resolution is based on CBO's ten-year economic projections which are, overly optimistic and, by definition, hopelessly unreliable, as I will explain. Second, it assumes that nondefense spending will be held slightly below the rate of inflation for the next 10 years. We have not held spending to that level in decades. Third, it assumes that no additional funds will be needed for Social Security reform. I have yet to see a viable Social Security reform plan which did not need additional funds to address transitional costs. Fourth, although it did assume certain funds for Medicare, funding for a prescription drug benefit will have to compete with funding for overall Medicare reform. Finally, although it created a defense reserve fund, there was no money in the budget allocated for this purpose. It will have to compete with all other spending priorities.

Clearly, each of these assumptions deserves close scrutiny because they are the foundation for the tax cut we are considering.

A little over three years ago, in January of 1998, the Congressional Budget Office projected that the federal government would accumulate a 10-year unified surplus of $660 billion. While the January CBO report appeared only a few short months after the Asian financial crisis of 1997, its authors were careful to note that their ten-year projections were based not on cyclical effects, but rather on certain beliefs regarding the long-term prospects for the United States economy. The surplus estimates were driven by trends in underlying factors—important issues such as the demographics of the labor force, the rate of national savings, and growth of productivity levels in output per worker.

This January, once again, our Congressional Budget Office produced new estimates on what to expect over the next ten years. The economists projected the economy would grow at a rate of 2.4 percent in 2001, a full half a point higher than CBO had anticipated for 2001 in its budget outlook written only three years ago. Nevertheless, we find ourselves dealing with ten-year surplus projections not of $600 billion, but $5.6 trillion. From 1998 to 2001, the Congressional Budget Office increased its ten-year surplus projections by 5 trillion dollars. Allow me to repeat that statement. In three short years, the Congressional Budget Office has increased its ten-year surplus projections by 5 trillion dollars.

It begs the question, what has led the Congressional Budget Office to increase surplus projections by such a tremendous amount over the last three years? Is it the result of deficit reduction measures? Absolutely not. Over the past three years, discretionary spending has grown by an average rate of well over 4 percent. The Balanced Budget Act of 1997 slowed the growth of Medicare, but Social Security and Medicaid spending continue to increase.

Today, the same economists that predicted a 10-year surplus of $600 billion in 1998 have changed their assumptions regarding the economy's ability to grow. They assume that productivity growth will continue at levels far exceeding levels attained from the mid-1970s through the mid-1990s. They assume that productivity growth will be well above its average over the last 50 years.

Yet, productivity levels already show signs of weakening. Productivity has dropped steadily since last summer. In the first quarter of this year, productivity recorded its first decline since 1995.

A surplus projection centered on an assumption that productivity growth will hold at the levels achieved over the last five years is not a conservative projection, and it is certainly not the stone on which Congress should engrave the largest nominal tax cut it has ever contemplated and bet the future of the US economy.

Indeed, the Congressional Budget Office acknowledges as much in their report. Their economists go to great lengths to warn of the pitfalls and dangers of budget forecasting. The January report devotes 24 pages to this very topic. Under one specific scenario modeled by CBO, their economists examine what would happen if the economy reverted to pre-1996 conditions, specifically, if: (1) productivity growth averages its historical rate of 1.5 percent, (2) Medicare and Medicaid spending grow a mere 1 percent faster than the baseline, and (3) increases in personal tax liabilities from phenomena such as recent capital gains realizations gradually fall to historical levels. In this instance, they estimate the budget surplus would fall from $5.6 trillion to $1.6 trillion. A full, four trillion dollars would be eliminated.

That scenario is far from a ''doomsday'' scenario. It simply assumes that productivity growth falls to historic levels, Medicare and Medicaid spending increase 1 percent, and capital gains realizations fall to historic levels. And it reduces the surplus by four trillion dollars.

Now I say to my colleagues, there is another piece of the surplus puzzle that just doesn't fit and that is the spending assumptions. Over the past 20 years, the difference in projected spending in the Congressional budget resolution for the next fiscal year and the actual amount of spending for the next fiscal year has averaged 3.3 percent. In other words, spending for fiscal year 2002 will probably be off by about 3.3 percent from the level anticipated in the budget resolution. Thus, with a $1.9 trillion budget, we're likely to be off by about $60 billion. And that's just next year.

Looking at the out-years, spending assumptions can be wildly inaccurate. Medicare spending is rising again, it increased by 3 percent in 2000. According to CBO, ''Historically, Medicare's growth rate has varied widely, and such fluctuations are likely to continue.'' In 2000, Medicaid grew 2 percent faster than CBO projected. In addition, minor upturns in inflation can result in major spending increases because many mandatory program benefits, such as Social Security, are linked to the consumer price index. And we have yet to adequately address all of the problems the Balanced Budget Act of 1997 created for Medicare.

On the discretionary side, since the end of President Reagan's last term, domestic nondefense outlays have increased at a rate of 6 percent a year, those are our investments in education, the environment, transportation, children and other priorities. Much of that increase was balanced by declining defense expenditures. That's about to change. Does anyone really believe that a budget resolution which assumes that discretionary spending will rise at the rate of inflation over the next ten years is honest budgeting? Judging by the votes during Senate floor consideration of the budget resolution, it's not about to begin today.

Now let's take a look at what happens to the surplus if we make a much more realistic assumption about spending. For example, maybe we will lower nondefense spending growth from the 6 percent averaged since the end of Reagan's term to 5 percent. Let's give ourselves the benefit of the doubt and assume that the defense build-up leads to increases in defense of only 5 percent per year. Thus, discretionary spending increases 5 percent a year over the next 10 years. In effect, with lost interest savings, we would wipe out more than $1.1 trillion of the projected surplus.

So first we have a potential situation in which our 10-year surplus, due to faulty economic assumptions, has fallen from $5.6 trillion to $1.6 trillion. When we then figure in honest and realistic projections regarding spending growth, our actual 10-year surplus has now been reduced from 5.6 trillion to $500 billion. We have wiped out all of the Medicare surplus and we have wiped out about 80 percent of the Social Security surplus, and we still have not calculated the cost of the tax cut or Social Security reform.

Now combine that scenario with the tax cut before us. We are about to enact a $1.35 trillion tax cut and at the same time, we have done nothing to deal with fundamental issues resulting from mandatory spending and the retirement of the Baby Boom generation. Moreover, there exists the very real possibility that we will return to the days of deficit spending and ballooning federal debt.

And while it may make a nice sound bite to say that if we don't send the surplus back to the American people in a tax cut, Congress will waste it, no one can make that argument with a straight face unless they are willing to set forth a real plan to deal with the fundamental issues facing Social Security and Medicare. Our President has yet to submit a Social Security or Medicare reform plan and I don't see one on the schedule in the Ways and Means Committee or the Finance Committee.

Social Security's trustees reported in March that Social Security's tax income will fall short of Social Security's benefit payments beginning in 2016. Medicare's tax income will fall short of Medicare spending the same year. Social Security and Medicare's problems are related to the aging of the labor force. In the not-to-distant future, there will be too few workers in the workforce to maintain Social Security and Medicare as pay-as-you-go programs. These are not small problems.

In the case of Social Security, Congress will have to either reduce Social Security benefits, raise Social Security taxes, or find a third alternative. Individual accounts, partial privatization, or investment of Social Security funds in the stock market, even under the best of circumstances, regardless of how they are structured, will require use of large-scale additional funds to ensure that current and near retirees will not be penalized. But under the scenario I have outlined, there would be no General Treasury funds available and Social Security surpluses over the next ten years would be eliminated.

The same issues apply to Medicare. The Congressional budget resolution sets aside $300 billion in a Medicare Reserve Fund. However, that $300 billion is needed just to finance a decent prescription drug benefit. In addition, there will be substantial costs associated with reforming Medicare. This year's Trustees' Report showed that health care costs per capita will rise. But as I have demonstrated, the tax cut would place Medicare surpluses in jeopardy.

Dealing with the Social Security and Medicare's financial problems sooner rather than later minimizes the pain for beneficiaries and workers by allowing the government to address transitional costs before the problem reaches the breaking point.

Congress should be acting in a fiscally responsible way by addressing Social Security and Medicare's long-term problems while we have the opportunity, while the Federal government is operating under surpluses and not deficits.

Turning to the actual tax cut before us, regardless of how you feel about the bill's specific provisions, one glaring problem flows from the fact that most of the bill's provisions will not take effect for several years.

According to the Joint Committee on Taxation, the cost of the bill in 2011 will exceed the cost of the tax bill in the first three years combined. By the time we reach 2011, the cost of the Chairman's proposed tax cut will approach nearly $200 billion per year.

The most obvious example is the bill's estate tax relief provisions. Over the next five years, the bill would provide a total of $36 billion in estate tax relief. However, the bill does not actually repeal the estate tax until the year 2011, and, therefore, the revenue hit resulting from repeal of the estate tax will not actually occur until 2012, so its impact does not even appear in the revenue tables.

Thus, the bill repeals the estate tax in the same year that the Baby Boom generation will begin retire. Is that fiscal responsibility? The stark reality is that the cost of the tax cut will arrive just when we are least able to afford it.

The same problem applies throughout the legislation.

To make matters worse, because many of the bill's provisions will not take effect until the second five years, the costs of the tax bill escalates at a time when surplus estimates are the most unreliable, towards the end. And by back-loading the bill, we are ensuring that the costs of the tax cut will rise just when surpluses are most unreliable and our fiscal problems related to the aging of the population are truly emerging.

Finally, I say to my colleague, by passing this tax cut, we are effectively ensuring that the Federal debt will stop falling and start rising again. Under the Congressional Budget Office's January baseline, Federal debt, i.e., debt held by the public as well as debt owed to Federal trust funds such as Social Security and Medicare, will fall in each of the next five years. However, under the budget resolution Congress passed last week, Federal debt would soon be on the rise again. Even if you accept their assumptions about spending and the economy, after five years, Federal debt will be $600 billion higher than the CBO baseline. Over the full ten years of the budget resolution, Federal debt would increase by over $1 trillion, from $5.6 trillion in 2001 to $6.7 trillion in 2011.

And by using unrealistic economic and spending assumptions, as I have shown, they are ensuring that debt held by the public will rise. From 1969 to 1997, debt held by the public increased every year. Over the past three years, we reversed that trend. From 1997 through 2000, the Federal government retired $360 billion of debt held by the public. In the early 1990s, by enacting a real deficit reduction program, we were able to completely change the course of interest rates, inflation, and the economy.

Reducing publicly held debt means the government is buying back bonds, thereby freeing capital in private sector financial markets. As Federal Reserve Chairman Greenspan noted in Congressional testimony earlier this year, ''a declining level of Federal debt is desirable because it holds down long-term real interest rates, thereby lowering the cost of capital and elevating private investment.'' Paying down publicly held debt results in lower interest rates and lower inflation. The result is lower home mortgage rates and lower auto loan rates for every American.

Paying down debt has also helped finance a high level of private sector investment at a time when personal savings rates are declining. By buying back bonds, more capital is available in domestic markets. It is that simple.

But under the tax cut we have before us today, the ability to reduce publicly held debt will be strained. Their numbers make unrealistic assumptions about the economy and unrealistic assumptions about spending. While only time will tell, I fear we are moving down the wrong path, one that reverses the progress made over the last eight years.

I acknowledge that the Chairman and Ranking Member have made great strides to ensure that their bill will benefit a broad spectrum of Americans. I particularly appreciate the fact that they included a $70 billion provision that Senators SNOWE, LINCOLN and I requested which will ensure that an additional 16 million children benefit from the expanded child credit.

Nevertheless, for all of the reasons I have outlined, I believe the evidence is clear, the long-term consequences of the proposed tax reduction will set back our economy and our nation. I want tax relief, but I don't believe in doing it at the expense of fiscal discipline. And that is why I would urge my colleagues to vote against this agreement, we can and should do better.

Mr. SARBANES. Mr. President, I rise today in opposition to the tax reconciliation legislation pending before the Senate. Unfortunately, this tax bill spends vast sums of money, based on shaky economic forecasts, and disguises its true cost by phasing in most of its tax relief far into the future. As a result, this legislation poses a real risk to our Nation's fiscal health without providing the tax relief Americans have been promised for years to come.

Let me begin by clearly stating that I am not opposed to responsible tax relief. I believe we can craft a fiscally responsible tax cut that does not endanger our economy and provides meaningful tax relief, including targeted measures, a component of across-the-board reductions, and an economic stimulus package.

That being said, I must oppose the massive tax bill before the Senate today for several reasons. Foremost among them is my deep concern that, if we pass this legislation, we will be repeating the mistake we made in 1981 and squandering the fiscal security we have worked so hard to achieve. In 1981, Congress complied with the President's request for a large tax cut. The Nation felt the negative effects of that tax cut for more than a decade, as Federal deficits grew and the national debt exploded. It took the country nearly 20 years to recover from that tax cut, and move from a period of record budget deficits, to economic prosperity and budget surpluses.

Today, we again have an opportunity to shape the course of our country for the better, and part of that course should include responsible tax cuts. I have supported proposals to devote a full third of our projected non-Social Security surplus, approximately $900 billion, to tax relief. It is my strong belief that we should devote a full third of the surplus to paying down our national debt. Simply put, if we don't take measures to reduce the debt in times of surplus, when will we? The remaining third of the surplus is needed to address the priorities I hear from the Marylanders I meet every day, access to healthcare, education, a prescription drug benefit in Medicare, protecting Social Security, enforcing our Nation's laws, addressing rising energy costs, and on and on.

A $1.35 trillion tax cut will not allow us to act on these crucial areas, particularly when it is based on a highly speculative ten-year forecast of our Nation's future revenues. This bill is based on economic projections of a $2.6 trillion non-Social Security surplus. That surplus is not cash-in-hand being held by the Federal Government, it is a prediction that in the future this money will materialize. Based on that prediction, the tax bill would spend $1.35 trillion over the next ten years, despite a national debt of more than $5.6 trillion, or $20,227.19 for every man, woman, and child in our country.

I believe it is unwise to base such a massive tax cut on projected income that may never come to pass. The serious limitations of economic projections are clearly illustrated by recent experience: just six years ago, in January 1995, the Congressional Budget Office projected that we would finish the year 2000 with a $342 billion deficit. Instead, we saw a surplus of $236 billion, a swing of $578 billion. In fact, most of the projected surplus over the next 10 years is expected to occur in the outyears, when projections are the most uncertain: Almost 70 percent of the non-Social Security surplus is projected to occur in 2007–2011, the last 5 years of the projection period. I believe it would be the height of folly to commit these uncertain surpluses to large, permanent tax cuts, as this tax bill does.

While I am concerned about tax reductions amounting to $1.35 trillion, the cost of the tax bill this decade, I am even more disturbed by the exploding cost of these tax measures in years to come. The authors of this legislation have employed a variety of tactics to disguise the true cost of the bill. Most significantly, the various tax cuts provided by this legislation are slowly phased in over ten years to keep costs under the $1.35 trillion maximum dictated by the budget resolution. Other provisions granting tax relief actually expire in the middle of the ten-year period covered by the bill.

I am opposed to such shell games that hide the true cost of this legislation for two reasons. First, the American public is being promised tax relief and likely doesn't understand that the changes which may benefit them the most will not arrive for years to come. Whatever your own tax cut priority, odds are it will not be realized for a long time. Marriage penalty relief does not begin until the year 2005. The final rate cut in the upper income tax brackets does not occur until 2007. The increase in the child credit to $1,000 does not take effect until 2011. The full increase in IRA contribution limits and the repeal of the estate tax do not take effect until 2011.

In addition to this extreme backloading of costs, this tax legislation actually ''sunsets'' several important provisions in order to hold down costs. Most of the alternative minimum tax, or ''AMT'', relief provided in the bill is actually eliminated in 2006. As a result, the number of taxpayers affected by the AMT would explode this decade to nearly 40 million taxpayers by 2011, more than 25 times the number of Americans now affected by the AMT. Provisions aimed at encouraging small businesses to fund employee pensions expire in 2006. And deductions for education expenses end in 2005.

The American people have been sold this bill as providing all of this relief, and have not been told how long they are going to have to wait to get it, and that it is not actually permanent relief. Even more importantly, such accounting gimmicks disguise the real cost that this legislation will impose on our Nation. The true cost of this package will rise to anywhere from $3.5 trillion to $4 trillion over ten years once it is fully implemented, which coincidentally occurs right at the time the baby boomers retire. If we enact this drastic cut, where will we find the resources to meet the needs of an aging population? How will we invest in national priorities like education, a well-prepared military, and a prescription drug benefit in Medicare? I strongly believe that we cannot enact such a huge tax cut, based on shaky economic forecasts, that will consume such a vast amount of resources just as our Nation's need is the greatest.

Finally, I believe it is worth noting who receives the benefits of this tax reconciliation bill. As I have said before, I am not opposed to a component of across-the-board tax relief. For example, the new 10 percent tax bracket created in this bill would benefit all Americans who pay taxes, including those with the highest incomes in our country. I would also support legislation to ease the marriage penalty and significantly increase the estate tax exemption so that our families can pass on more to future generations.

However, a disproportionate percentage of the benefits of this legislation is given to the wealthiest in our country. According to Citizens for Tax Justice, thirty-five percent of the benefits of this tax bill goes to the richest one percent of taxpayers—who have an average income of $1,117,000. While they get 35 percent of the benefits of this bill, that top one percent of taxpayers pays only 20 percent of all Federal taxes.

In contrast, this legislation fails to provide tax relief for many of our Nation's hardest-working taxpayers. The tax bill we are considering today provides no tax relief to the many American families who pay no income taxes, but who pay substantial payroll taxes. These low-income workers have not benefitted from our Nation's booming economy in recent years. Between 1992 and 1998, the bottom 95 percent of Americans experienced an eight percent rise in their after-tax incomes, while the top one percent of taxpayers saw their after-tax income increase by 47 percent. We should find some way to give those workers who have not participated in our recent economic prosperity, but still pay substantial payroll taxes, the relief they so desperately need.

Nonetheless, some will argue that wealthy Americans pay more taxes and, therefore, deserve a larger tax cut. That may be true if only the dollar amount of the tax cut is considered, but the tax bill we are debating gives a larger percentage of its tax cuts to high-income Americans. According to the Center on Budget and Policy Priorities, this tax bill, when fully phased in, will increase the after-tax income of the richest one percent of Americans by an average of five percent. In contrast, the bill will increase the after-tax income of the middle fifth of American taxpayers by only 2.2 percent, and the poorest 20 percent of families in our country will see their income increase by only 0.8 percent. Therefore, this legislation would increase the after-tax income of our richest Americans more than twice as fast as those in the middle class, and six times faster than families in the bottom 20 percent of the income scale. Clearly, this bill denies middle-class and lower-income Americans tax relief in order to benefit the wealthiest in our country.

I believe that by passing this tax bill we will throw away an unprecedented opportunity to develop a sound fiscal policy for our Nation. We have an unparalleled opportunity to pay down the Nation's debt, to invest in our future, and to shore up vital programs. If we act prudently, we can ensure that the Federal government will have the resources to meet our obligations after the baby boomers retire and beyond. We can do a reasonable tax cut in response to the problems confronting working families all across the Nation, and we can do all this in a very balanced way. Because this legislation would squander our best chance for investing in America's future, lifting the debt burden off the next generation, and providing a reasonable tax cut for our working families, I strongly oppose this excessive tax bill and I urge my colleagues to do the same.

Mr. LEAHY. Mr. President, I rise today to oppose the tax reconciliation bill being considered by the Senate today. I believe Vermonters and all Americans deserve tax relief, but we need to have a fiscally responsible tax package that benefits everyone. We do not need one that is so large, so likely to result once again in budget deficits, so full of budgetary gimmicks, and so skewed toward the wealthy.

If we are serious about passing a tax cut bill to provide needed relief to all Americans we should be lowering the tax rate for low- and medium-income people, making the child tax credit fully refundable, eliminating the marriage penalty tax immediately, creating an R&D tax credit, increasing IRA and pension contributions, and allowing for greater college tuition credits. Unfortunately, we are delaying all of these important tax relief components in order to shoehorn a massive rate reduction for the wealthiest Americans into this bill. It also pays for this massive tax plan at the expense of needed investments in Social Security, Medicare, education, the environment, and paying off the national debt.

I am one of five Senators still in the Senate who voted against the Reagan tax plan in 1981. We saw what happened there: We had a huge tax cut, defense spending boomed, and the national debt quadrupled. The tax plan was popular but it was wrong. America should not move backward in that direction.

This tax plan is too large. I voted for a responsible tax cut plan targeted to help the low- and medium-income people of this country who need tax relief the most. The $900 billion alternative I supported offered immediate tax refund checks to help boost the economy and help Americans pay for higher gasoline and energy prices, rate reductions for all income taxpayers, marriage penalty relief to start immediately, a partially refundable child tax credit, tuition tax deductibility to make college more affordable for middle class families and a major effort to modernize our public schools, a comprehensive package of retirement savings incentives to increase IRA and pension contributions and encourage small business to set up pension funds for their employees, a permanent extension of the $10,000 adoption tax credit, health insurance deduction for the self-employed, responsible estate tax relief, a permanent

R&D tax credit, and elimination of the alternative minimum tax, AMT, for people with income up to $80,000. Unfortunately, the majority refused to seriously consider this offer to provide reasonable tax relief to working men and women and their families.

This tax plan is not fiscally responsible. We should keep in mind the inherent risks of forecasting budget surpluses ten years into the future. The President has argued that the surplus will be around $1.6 trillion and that all of that should go toward tax cuts. And most of the tax cuts in this bill come in the second 5 years of the 10-year plan. Setting aside the argument of how to spend that much money, is it really available? The predictions used to calculate $1.6 trillion were based on the U.S. economy expanding at an annual rate of 4 percent from 2000–2010. I think we know from the current economic slowdown that our economy is growing nowhere near 4 percent, if at all, right now. That is a big yellow flag that these assumptions are wrong. Focusing on budget predictions 10 years in the future is exceptionally risky and does not allow businesses and individuals to properly plan long-term.

This tax plan does not address our enormous Federal debt. Whatever surplus our Nation now enjoys should be used to pay down the $5.7 trillion gross Federal debt burden our country still carries. The Federal Government has to pay almost $900 million in interest every working day on this national debt. Paying off our debt will help sustain our sound economy by keeping interest rates low. I want to leave a legacy for our children and grandchildren of a debt-free Nation.

This tax plan is slanted toward the wealthiest among us. The original tax plan proposed by the President provides nearly half of that $1.6 trillion tax cut to the wealthiest in our country. We are sacrificing real tax relief to working families in this country for rate reductions to the wealthy. We should focus on enacting a responsible plan that will benefit the broadest number of people by reducing taxes to low- and medium-income people. By focusing only on income tax rate reductions, this tax cut plan leaves out millions of taxpayers who do not pay Federal income taxes but who do pay payroll taxes. In Vermont, there are 23,000 families who do not pay Federal income taxes. But 82 percent of those families do pay payroll taxes. For the vast majority of taxpayers, payroll taxes generate the largest tax burden, and yet this plan does not touch payroll taxes.

This tax plan has not been thoroughly reviewed and is full of budgetary gimmicks designed to mask the true effects of the bill. There are many unforeseen consequences of this tax bill that we should take into account before enacting this massive tax cut. However, with Republicans pushing to get this bill done by Memorial Day, there is great pressure to ram through a $1.35 trillion tax cut without a full review of all the proposals.

The New York Times has reported that one unanticipated effect of full repeal of estate tax may be greater capital gains taxes for most estates. After 2011, when the estate tax will be repealed, capital gains taxes would be owed on everything inherited above $1.3 million. As the Times reporter said:

> Presumably, the drafters of the legislation did not worry if all the pieces did not fit together in a coherent package because they were primarily interested in getting a bill on the table for debate.

States that tie their State tax returns to Federal returns are going to be hurt by the lost Federal revenues. Vermont's tax system is one of three in the nation in which taxpayers use their Federal tax bill to calculate their State income taxes. It is a simple system, but it is affected by every little tax change at the Federal level. In effect, a massive Federal tax cut leads to a massive State tax cut. According to Vermont State economists, the State stands to lose $506 million over the next ten years because of this tax bill. In FY 2002 alone, Vermont will lose $35.7 million. The conservative Heritage Foundation has estimated that Vermont may lose up to $1.5 billion because of this huge tax cut. This is a very large amount of money for a State whose population is only 609,000. How will the State make up these lost revenues?

Vermont was hurt 20 years ago when Congress last considered a massive tax cut. Those rewrites to the Federal Tax Code put the State in red ink for years. As the red ink grew, an emergency tax study group assembled by the Governor found that between 1982 and 1987 the State stood to lose $300 million because of the Reagan tax cut. Now we will be putting Vermont back in a similar situation. As our Governor has already warned, without raising State taxes to make up for Federal loses, Vermont will once again see major deficits.

This tax bill also asks States to pay for repealing the Federal estate tax by abruptly ending payments from Federal estate tax revenue that are now shared with the States. This bill will cut by half the Federal credit that States receive for the Federal estate taxes that are collected and will deny States between $50 billion and $100 billion over 10 years, or as much as two-thirds of the cost of the estate tax repeal in the bill.

Another anomaly of this bill is the way the AMT is calculated. While Democrats hoped to exempt people who make under $100,000 from AMT permanently, Republicans only want to slightly increase the exemption for 4 years from 2002 to 2006. The Republican plan would cause 39.6 million taxpayers to be subject to the AMT by 2011. Clearly this flies in the face of the original intent of the AMT, which was to ensure that wealthy taxpayers cannot make use of tax breaks to eliminate much or all of their tax liability. The tax bill will force more and more middle-class taxpayers to pay a tax that was meant to reach very few, well-off taxpayers.

I do not like the marriage penalty and think it is poor public policy. While this bill does contain two provisions designed to provide marriage penalty relief, it makes couples wait 5 years for that relief. While the rate cuts in upper-income tax brackets take effect next year, married couples will have to wait until 2005 to get relief and until 2010 until full repeal is fully phased in. This is 3 years after the upper income bracket rate cuts are fully effective.

After years of hard choices, we have balanced the budget and started building surpluses. Now we must make responsible choices for the future. Our top priorities should be paying off the national debt, saving Social Security, creating a real Medicare prescription drug benefit, protecting domestic spending programs, and passing a fair and responsible tax cut.

This tax bill falls far short of these priorities. It uses gimmicks to hide the bill's true costs. It provides no marriage penalty relief for five years. It contains no immediate tax refund to stimulate the economy. It has a hidden tax increase on the middle-class through the AMT. And its costs explode after 10 years, just as the baby boom generation begins to retire. For the sake of our economy and the working families of America, I will vote against this tax cut bill.

Mr. LEVIN. Mr. President, the budget resolution, including the tax bill which has passed the Senate, will almost surely push us back into the deficit ditch. The tax bill was rushed through before the President makes his request for additional defense funds, before the tax writing committees adopt additional provisions which we all know are forthcoming to extend current tax provisions, before the tax writing committees act to avoid the calamity which will befall 40 million people who will be forced to pay an alternative minimum tax as a result of this tax bill. That's twice the number that will be paying alternative minimum taxes by 2011 under current law. This fiscally irresponsible tax bill was pushed through before the review of the projected surplus which is due in August, and also before the appropriations bills are reported, which everyone here knows will exceed the domestic discretionary spending cap provided for in the budget resolution. The final result of all this fiscal irresponsibility will almost surely be the raiding of the Medicare surplus and a return to the deficit days of the 1980s.

Our future economic health took a blow today.

I support a tax cut, a reduction in taxes which is modest enough to be fiscally responsible, swift enough to provide an economic stimulus, and fair to all Americans, including working families who are so shortchanged by the Republican proposal. The bill passed today is the opposite. Its large size makes it fiscally irresponsible, it actually delays tax relief, and it provides most of its benefit to the upper income Americans. It is based on long-term surplus projections which history shows to be highly speculative making this bill dangerous to our economic future. Finally, it is being catapulted through the Senate, exploiting a process which severely limits debate and which was never intended for tax reduction legislation of this size.

Although this bill is advertised as a $1.35 trillion tax bill, it's true cost is closer to $2 trillion. It fails to account for the cost of real Alternative Minimum Tax (AMT) reform. In fact, under this legislation, by 2011, nearly 40 million taxpayers will have to pay the AMT, including many middle income taxpayers. It ignores the fact that tens and perhaps hundreds of billions of dollars worth of additional spending, over ten years, will be required to live up to the President's goals for defense and education, and to provide for urgent domestic needs this Senate knows it is going to support.

This tax bill takes us back to the bad old days of backloaded tax breaks whose real costs explode several years after enactment. Although it technically sunsets its provisions in 2011 to meet the requirements of the Byrd Rule, the changes in the tax code which it makes, such as the repeal of the estate tax, are clearly intended to be permanent. The cost of these changes explode immediately beyond the ten-year ''window''. In fact, the bill's claimed $1.35 trillion price tag could triple in the second ten years. This budgetary time bomb is set go off at roughly the same time as the bill begins to come due for Medicare and Social Security. That is the time the ''baby boomers'' begin to retire and we must begin to draw down the Social Security Trust fund.

This tax bill is based on highly speculative long-term projections. Projections are always risky. We have seen many Federal budget estimates, and we know well that as quickly as these surpluses appeared, they could disappear. This bill is based on projections of surpluses for ten years downstream. History has shown that CBO projections for even five years into the future have been off over the past decade by an average of more than 100 percent.

The massive tax cut which the Senate has passed threatens to lead us back into the deficit ditch. We just climbed out of that ditch. And we shouldn't head there again, particularly when the country is saddled with a national debt that resulted from the last binge of deficits. The current national debt is $5.6 trillion. Based on the Budget Resolution which the Senate recently adopted and based on this tax cut, the national debt at the end of the next ten years will have increased to $6.7 trillion. If the projected surpluses do in fact materialize, we should be using them mainly to pay down the national debt instead of increasing that debt with a big tax cut.

In 1981, President Ronald Reagan introduced his Economic Recovery Tax Act which included huge tax cuts and predictions that the budget would be balanced by 1984. In 1981, I opposed that supply side economic approach because I was convinced that it would lead to huge deficits. We did indeed pay dearly for the debt which resulted from that legislation. In 1992, the annual deficit in the federal budget had reached $290 billion. The remarkable progress which since then has brought us to our current surpluses came about in large part as a result of the deficit reduction package which President Clinton presented in 1993, and which the Senate and House each passed by a margin of one vote. We should not now be passing an imprudent tax bill like the one before us, and head back toward new future deficits.

Although the tax cut is irresponsibly large, the economic impact will be remarkably small, because the bill before us does not contain the $85 billion economic stimulus adopted in the Senate-passed budget resolution. Only $33 billion is allocated for tax relief this year. The bill is extensively back-loaded: it doesn't start marriage penalty relief—the doubling of the standard deduction and the expansion of the 15 percent bracket—until 2006. IRA contribution limits aren't fully phased in until 2011. The Child Credit isn't fully phased in until 2011. The delay in relief actually shifts the responsibility of paying for our excess onto the next generation.

The relief provided in the bill isn't equitable. There is no tax relief for the 25 million taxpaying Americans that pay their federal taxes through the payroll tax. And it means too little to taxpayers in the 15 percent bracket, who will see no reduction in their marginal tax rate, while those in the top 1 percent receive nearly $40,000 worth of relief. In fact overall, the top 1 percent, earning an average of more than a million dollars a year, will receive about 35 percent of the benefits under this tax legislation.

I am also deeply troubled by the process which has brought us to this point. We considered this legislation under special rules contained in the Budget Act for a process called ''reconciliation''. This process is being misused to steamroll this bill through the Senate. By restricting a Senator's right to fully debate and amend this bill—no more than twenty hours of debate is permitted and the amendment process is severely constrained—the majority puts the Senate in a straight-jacket. A similar oppressive tactic was used earlier when the majority bypassed the Budget Committee to bring the Budget Resolution to the Senate floor and when they excluded Democrats from the Conference Committee in order to write the reconciliation instructions which are being used to shield this legislation from full debate and amendment. This process is a rush to judgment which does damage to the institution of the Senate and its reputation for deliberation. And, it does this damage to promote a massive tax bill which will negatively affect the economic well-being of Americans for decades to come.

This Administration argues that the projected surplus should be returned to the tax payers because it is their money. Of course it is their money. But the economy is all of ours too. Social Security belongs to all of us. The Medicare program belongs to all of us. Our education program and helping people through college, belongs to all of us. And, of course, the national debt belongs to all of us as well. We owe it to the American people to reject this imprudent tax cut in order to pay down that national debt and to strengthen our commitment to those programs that the American people want. We can do that consistent with a targeted, modest, prudent tax cut. Unless it is improved in the Conference with the House, which is not likely, we should defeat this massive, unfair, imprudent tax cut bill when it returns to the Senate.

Mr. KENNEDY. Mr. President, it is unfortunate that the Republican leadership has interrupted the Senate's action on landmark education reform legislation in order to expedite action on their massive tax cut bill. It demonstrates once more that education is not a real priority for our Republican colleagues. Their only priority is tax cuts, tax cuts and more tax cuts.

The Republican position could not be clearer: Education can wait while we rush to give away hundreds of billions of dollars in tax breaks for the wealthy. In Republican priorities, the needs of the wealthiest taxpayers for new tax breaks rank far higher than the needs of America's school children.

Across America, 12 million children are disadvantaged in our education system, but we currently provide the full range of title I Federal education services to only one in three of these children. The rest are left to fend for themselves, with the most overcrowded classrooms, the least amount of quality teacher time, the most outdated textbooks and learning tools, and the most inadequate facilities.

Students with disabilities suffer from the same federal neglect. The Federal Government has long promised to fund 40 percent of special education. Yet it still only funds 17 percent, less than half of what was promised. Parents of millions of disabled children are forced to struggle in the States every year for the education that their children deserve. For years, states have called on the Federal Government to live up to its commitment to students with special needs. Yet the Republican budget, and the tax cut that follows from it, say no.

Instead, one of every three dollars of the tax breaks in the bill before us will go to the wealthiest 1 percent of taxpayers. Once the tax breaks are fully implemented, the richest 1 percent will receive an average tax cut of $37,000 each year—more than most families take home from work in an entire year.

Mr. President, $37,000 a year could pay the salary of a new teacher in most school districts. But if this tax bill passes, there won't be funds for new teachers. Our Republican colleagues in Congress have decided that wealthy taxpayers need the money more.

The tax cut is clearly excessive. It is neither fair nor affordable. No wonder the Republican leadership is attempting to force a final vote in Congress as soon as possible, before public outrage builds.

Through the use of smoke and mirrors and budget gimmicks, the bill technically complies with the mandate of the budget resolution to report a tax bill costing $1.35 trillion over eleven years. But the real costs are far higher. The real costs of this bill explode in the outyears. It does not conform with the clear intent expressed by a majority of Senators to substantially reduce the size of the Bush tax cut.

Most disturbing of all is the extreme use of backloading to conceal the enormous cost of these tax cuts when they take full effect. The rate reduction is not fully implemented until the year 2007. Marriage penalty tax relief does not even begin until the year 2005. The amount of the child credit does not reach the full $1000 until the year 2011. The estate tax is not repealed until the year 2011 as well, so that almost none of the cost of the repeal shows up until the year 2012.

These tactics are the height of fiscal irresponsibility. The excessive cost of the tax breaks in the first 10 years is bad enough. But that cost will triple in the following 10 years. A $1.35 trillion tax cut in the first 10 years will mushroom to more than $4 trillion in the next 10 years, precisely when the Nation will confront unprecedented additional costs for Medicare and Social Security because of the retirement of the baby boom generation. Funds urgently needed to strengthen these basic programs are being denied by these reckless tax cuts.

Democrats support a substantial tax cut, one that would cost nearly a trillion dollars over the next 10 years, and that would give working families a fair share of the tax benefits. But this Republican bill does not deserve to be enacted. It is far too costly, and it fails to provide significant tax relief to those who need help the most.

It is clear that the nation cannot afford this tax cut without seriously neglecting America's most important priorities, including education. To meet our basic education needs, I will propose an amendment making reduction in the top marginal income tax rate contingent upon funding education at the levels that the Senate has already voted to support during our consideration of the Elementary and Secondary Education Act. If we do not have adequate resources to provide all students with a quality education, then we certainly do not have the resources needed to provide new tax breaks for the wealthiest Americans.

Fewer than 1 percent of taxpayers have incomes high enough to be affected by the top income bracket. These are the richest men and women in America. The $120 billion in tax breaks contained exclusively for them in this misguided bill should not take priority over the support for education that the Senate has already agreed is necessary. Support for basic education deserves higher priority than lavish new tax breaks for the wealthiest citizens.

Mr. BIDEN. Mr. President, Americans deserve a tax cut. They deserve a large tax cut. And in this time of budget surpluses, we can afford hundreds of billions of dollars of tax relief.

But Americans deserve other things at least as much. They deserve honesty in budgeting. They deserve a government that will face up to the fundamental choices that have to be made in writing a ten-year budget plan.

Americans deserve a strong national defense, safe streets, effective schools, world-class health care, clean air and water, a safe and efficient transportation system.

I must vote against this tax bill because it does not honestly face the serious choices that still confront us in this era of surpluses, because it sacrifices virtually all other priorities—and some of our fundamental values—to the single-minded pursuit of cutting taxes.

Despite what some would have us believe, we cannot afford to do everything for everybody all at the same time. We cannot cut taxes by nearly 2 trillion dollars in the next ten years—a number that actually doubles in the following decade—and continue to provide the fundamental governmental functions that Americans need and deserve.

If we are honest about the real costs of this tax cut, Mr. President, we would admit that on top of the $1.35 trillion sticker cost, we have to add $300 billion in additional interest payments that come from not paying down the national debt.

If we admit that we will have to reform the Alternative Minimum Tax that will soon hit millions of Americans, we have to add another $300 billion to its cost. Because history shows that we will extend the Research and Development tax credit and other popular and useful breaks that we have always supported in the past, we can add another $100 billion to the size of the tax cut.

Those calculations put the full cost of the tax cut and the real, foreseeable, inevitable tax issues that will face us in the next decade at over $2 trillion.

Two trillion—again, a number that will at least double in the ten years after the coming decade.

But we are told that there is a surplus that will cover the costs of this and all of the other things we will want and need. Money in the bank. Not to worry.

There is an old saying to the effect that something that sounds too good to be true, probably is too good to be true. This big tax cut certainly sounds good. It certainly would be appealing to go along and vote for it.

But that would not be honest because the numbers that we have in front of us right now tell us that we simply can't afford it.

The surpluses available to us in the next decade, if we agree not to spend money from the Social Security and Medicare Trust Funds, is supposed to be about $2.5 trillion. That sounds like a lot of money, and it would be, if it were real.

But it is not real for two reasons.

First, it is based on some assumptions we all know are just not true. If we can, let's just leave aside for a moment how well we can project the future of this economy—that problem alone has proved every other long-term surplus projection we have ever made wrong by hundreds of billions of dollars.

But even if we could know for sure that the economy will continue to grow at the high rates of investment and productivity we need to match the forecasts behind those projections—which we don't—those projections simply ignore some basic facts.

Only if we ignore those facts can we believe that the tax cuts in this bill make sense.

Here are some of the facts that make those surplus forecasts more likely wrong than right. They assume we will have no wars, no hurricanes, no floods, no earthquakes—no national security emergencies or natural disasters that would subtract billions of dollars from the projected surpluses.

The second reason the projections have to be wrong is that they assume we will cut the size of government in our country by 25 percent over the next ten years. As a share of the economy, our federal government is already the lowest it has been since 1960. There are plenty of reasons to believe that we will not be able to cut it by another 25 percent.

Our surplus projections do not account for increases in our population or increases in the cost of living over the next decade—incredible as it may sound, they do not. If we put those two basic budgeting concepts back into our assumptions, that subtracts as much as $640 billion from the surpluses.

Subtract that $640 billion from the $2.5 trillion estimated surplus, the tax cut is greater than the surplus remaining. Basic honesty in budgeting shows that we cannot afford a tax cut this big.

And the surplus projections ignore new spending priorities that everyone wants to address, on top of just keeping up with current levels.

The Administration has called for both a radical overhaul of our national defenses, and a new anti-ballistic missile program. We have no clear idea what those programs might cost, but I have added up just the six best known weapons modernization programs, and they add up to over $380 billion.

The new defense plan could add perhaps $250 billion, and a full-blown missile defense plan that covered every option the President has expressed an interest in covering could be another $100 billion. So prudence suggests we should show some of those costs in the budgets for the next ten years.

But we don't. That is hundreds of billions of dollars that will have to come out of the supposed surpluses, but we have no place for them in our discussions of this tax bill or in our budget calculations.

The President says that he wants to spend more for education, even though his budget includes no new spending for it. So far here in the Senate, we have passed $150 billion in new education spending, on a priority that all Americans share.

With just the spending that we know about in defense and education, virtually all of the non-Social Security, non-Medicare surplus is gone—and then some—with nothing left for improvements to our aging roads, bridges, sewers, dams, or docks.

No money for additional air traffic controllers or airports, no money to break the gridlock on our highways with a national high-speed passenger rail system.

No money for new policemen on the beat, for after-school programs to prevent juvenile crime, no money for drug interdiction or drug treatment programs.

With the huge additional burdens on Social Security and Medicare coming in the years just beyond the decade covered by this tax plan, there is no money left for the fundamental reforms of those programs. If we follow the Administration's approach to Social Security reform, we will need an additional trillion dollars. But there will be no money left.

Why are we left with so little for so many of our fundamental needs? Why, when we have finally brought our budgets into balance after years of deficits, can we not afford to pay for these essential priorities that we all agree deserve our support?

Because this tax cut was not designed as part of a comprehensive budget plan. If it becomes law for the next decade, it will be the only real priority in our budget. Every other priority, from defense to education—and even, I am afraid, balanced budgets—will be only an afterthought.

That is why I will vote against this tax bill. It costs too much; it depends too much on wishful thinking; it ignores realities that are staring us in the face over the next ten years.

We tried to amend this bill to fix the problems I have discussed. Senator MCCAIN offered an amendment to scale back the size of the tax cut to make room in our budget for the projected increases in defense spending. That prudent statement of our national priorities was voted down.

Senator HARKIN offered an amendment to simply hold off on a piece of the tax cut until we could certify that we can meet the long-term obligations of Social Security and Medicare. Once we could make that certification, every bit of the tax cut would go forward. That basic commitment to the promises we have made was voted down.

I offered an amendment to scale back the size of the tax cut to make room for a tuition tax deduction to help pay for college. That important priority of middle-class families was voted down.

Senator ROCKEFELLER offered an amendment to make sure we can afford to provide a prescription drug benefit for seniors before we cut taxes. It would not prevent a cent of the tax cut from going out—as long as we could pay for a prescription drug benefit. That bipartisan priority, shared by the President, was voted down.

Senator FEINGOLD offered an amendment to scale back the size of the tax cut so that surviving spouses will not have to give up their earthly possessions to pay for nursing home care received by deceased Medicaid patients. That small gesture toward fairness was voted down.

In every case the tax cut came first; every other priority—every other value—was left behind.

We can afford major tax relief for all Americans. And we can afford to provide the national security, the world-class education, the health care and the other priorities Americans have a right to expect. We can even afford a little fairness in the distribution of the many blessings we enjoy. We can afford to act on our values.

But not if we pass this tax bill.

We are indeed a blessed nation, at an historic peak in our prosperity and in our influence in the world. We have the resources to prudently manage the challenges and opportunities before us. But we are not immune to the basic laws of budgeting—we have to make choices.

This tax cut, by its sheer size—a size selected without consideration of any other priority—refuses to face honestly those fundamental choices. It refuses to recognize any other values.

I cannot support it.

Mr. MCCAIN. Mr. President, I commend Senator GRASSLEY and Senator BAUCUS for their dedication and hard work in completing this Reconciliation bill.

During the debate on the tax reconciliation bill, I have had serious reservations about some of the priorities contained in this bill.

First, after years of neglect, our military forces need to be significantly strengthened and it won't be cheap. But 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. As of yet, we have not received from the Administration a request for defense spending increases. I hope their request, when it comes, is adequate to meet the needs of our national security, which, as I observed, are many and serious. If that request is not adequate to our needs, I will fight as hard as I can to increase it.

With the adoption of the Reconciliation bill both the Administration and Congress are going to have to make some very hard choices to find the resources to fund our national defense priorities. There's no way around it. We cannot take money from the Social Security and Medicare Trust Funds, so that means we will have to cut other spending programs or adjust the tax cuts to support our military forces. Those are very hard choices, indeed, and we don't like to make hard choices in Congress very often.

But, Mr. President, we are going to have to make them because our first duty, is and always will be the nation's security, and the defense of American interests and values in the world. And those members who believe we have been derelict in our duty lately, will have to take our case to the public, inform them of the hard choices before us and urge them to urge us to do the right and necessary thing, even if it requires us to take on a few sacred cows around here.

Mr. President, while I hoped for even more tax relief to middle income Americans, I do want to commend Senate Grassley for moving in that direction by insisting that the top rate should be cut to only 36 percent. I wish we could have made even greater progress by increasing the 15 percent bracket to include more middle class taxpayers. But the Senate has decided otherwise, and, recognizing what progress has been made by Senator GRASSLEY, I will not register my disappointment by voting against the bill. Neither do I wish to vote against the President's first, important success in the Senate. But I do want to make clear my firm opposition to any increases in benefits to the top tax rate payers at the expense of the majority of Americans who are in much greater need of tax relief. Should further reductions in the top tax rates be made in conference, I will vote against the conference report without hesitation.

Mr. NELSON of Nebraska. Mr. President, I would like to express my support for the tax cut bill. Simply stated, the time has come for a sensible tax cut. The American people deserve it; the budget can support it. Now, it's time for Congress to authorize it.

I sincerely believe this legislation will serve as an efficient delivery vehicle for responsible tax relief that will benefit all Americans. While I support this tax cut plan for several reasons, the most concise justification for my position is that the $1.35 trillion in tax cuts over 11 years provided in the bill will cut taxes without cutting hope.

Since the beginning of this debate, I have repeatedly and consistently voiced my support for a substantial tax cut, as long as it would not interfere with our ability to fund our domestic budgetary priorities. I am pleased that this tax cut plan will not sap our resources for important obligations like agriculture and defense. It is reassuring to know that implementation of this plan will not be at the expense of our critical responsibilities. This legislation will provide across-the-board tax relief for the people of Nebraska, as well as all Americans, without interfering with Social Security and Medicare or hampering our efforts to pay down the national debt. Clearly, the cornerstone of this bill is responsible tax relief.

Perhaps even more significant in this bill's eleven-year, $1.35 billion tax cut package is the inclusion of a $100 billion up-front stimulus package. This two-year economic stimulus package will have an immediate impact on our economy, which has been showing all the symptoms of a slow-down. Such tangible, instant relief is precisely what is needed to counteract the threat of an economic recession.

While the reduction of personal income tax rates and the economic stimulus package are the highlights of this bill, I would like to emphasize the fact that there are several other components of this legislation contributing to its overall efficacy. This bill includes raising the exemption for estate tax relief followed by a gradual repeal of the estate tax, a doubling of the childcare tax credit by 2010, the dissolution of the so-called marriage penalty tax, and pension reform that will allow larger contributions to IRAs and 401(k) plans. I know Nebraskans have supported these initiatives for quite some time, so it brings me great satisfaction to know that they will soon be implemented.

I commend Senators GRASSLEY and BAUCUS for their efforts to achieve substantial bipartisan support for this tax cut bill. Their work has resulted in legislation that skillfully and responsibly addresses many of the major points of contention among the members of the Senate. It is in that same spirit of bipartisanship that I hope the Conference Report will be crafted. If the Conference Committee will follow the Senate Finance Committee's lead and work to build bipartisan support for the Conference Report, I am confident that the American people will finally receive the tax relief they deserve.

Ms. LANDRIEU. Mr. President, I rise today to support the Restoring Earnings to Lift Individuals and Empower Families Act of 2001. This tax package provides some needed tax relief to the people of Louisiana. In addition, it represents a bipartisan compromise by the committee members. I would like to thank the chairman of the committee, the distinguished Senator from Iowa, and the ranking member, from Montana, for their hard work in developing a tax relief package that tries to address the concerns and priorities of the people of our Nation.

While there is not a consensus on how to provide tax relief, there is consensus that the American people deserve a tax cut in the face of large projected surpluses. This package provides marginal income tax rate reductions, marriage penalty and estate tax relief, expands provisions for the child tax credit, encourages savings, and rewards adoption. The benefits of these provisions are not balanced in the way that I would like to see, but, of course, that is the nature of compromise. However, some of the tax cut initiatives included provide real relief to people who really need it, working families, struggling to make ends meet.

Louisianians work hard to provide for their families. Our State has an average income of $30,000 a year. In addition, 90 percent of all Louisiana households earn less than $75,000. I believe that the proposal before us now, the Senate RELIEF package, distributes benefits more fairly to the average taxpayer and middle-income families than the tax plan initially proposed by President Bush, and far better than the bills supported by the House Leadership.

This bill has many of the elements that will make a real difference to many Americans and Louisianians. Among these compromise elements are marriage penalty relief, and reform and eventual repeal of the estate tax, which I have voted for in the past and continue to support. In addition, this package provides necessary broad-based income rate reductions including the creation of a new 10 percent rate, and a doubling of the child tax credit to $1,000, to strengthen families.

When fully phased-in, the average Louisianian can expect to receive a tax cut anywhere from $300 to $500 a year. But more importantly, the effect of the new refundable child credit could offset much of the payroll and excise taxes that affect many Louisiana families. For example, a married couple with two children earning $20,000 could receive a tax benefit of as much as $2,000. That is a real saving that could make a substantial difference for many families.

In representing the people of Louisiana, my commitment has been to fiscal discipline, tax code fairness, debt reduction, and tax relief. Louisianians and Americans of all income levels deserve the significant tax relief included in the $1.35 trillion tax cut package now being considered by Congress. So, while I support tax cuts, I also support an amendment that provides an insurance policy against returning to deficit spending, a trigger mechanism. Federal Reserve Chairman Alan Greenspan repeatedly has stated in recent months his support for a trigger mechanism.

Through this trigger mechanism, the goal is to enact tax relief in a fiscally responsible way that protects against the depletion of the Social Security and Medicare surpluses, and allows for true debt reduction. The trigger creates a safety mechanism to address the possibility of either fiscally irresponsible tax cuts or ''budget busting'' Federal spending increases that would lead the nation back to a period of budget deficits and mounting public debt. Under such a trigger, tax relief would continue to be phased-in while specified debt reduction targets are met. If Congress falls short of those targets, the trigger would delay the implementation of new spending and tax reduction proposals until those debt reduction targets are back on schedule. The trigger mechanism will not cancel out or hamper the $1.35 trillion tax cut package. It will instead strengthen and increase the certainty of the tax relief by ensuring fiscal discipline.

I have also offered an amendment on behalf of myself and Senator CRAIG. The adoption tax credit amendment will truly encourage parenthood through adoption, and in the long run, reduce the costs to taxpayers. It provides a permanent expansion of the credit to $10,000 for both special needs and non-special needs adoptions for families with incomes up to $190,000. Removing children from long term foster care is a great benefit to society because it reduces the possibility that these children will develop costly social problems; such as drug dependence or criminal involvement. This delinquency comes at a high cost to the taxpayer. Our amendment enjoys wide bipartisan support, and should be included in the final package passed by the Senate.

While I support many of the measures in this tax relief package, I should add that there are provisions that I find very troubling. This tax cut is back loaded, with many of the costs exploding after the 10-year budget window. The repeal of the estate tax, only one provision of this tax bill, has been estimated to cost at least $145 billion in the eleventh year alone. In the long run, over the next 15 to 20 years, the revenue cost of the total tax package could be as high as $5 trillion. This is an enormous drain on Federal revenues, greatly reducing our ability to pay down our debt and provide strategic investments necessary for our economic growth.

Another concern is the lack of immediate marriage penalty relief, a provision that would benefit many families in Louisiana. This is unfortunate, because married couples treated unfairly by the tax code deserve a speedy remedy. In addition, Education Savings Accounts established in the tax bill are costly and, in my opinion, are an inefficient use of these funds given the great need of new investments necessary to support essential education reform efforts underway in Louisiana and across the Nation. We need to target more of our federal revenue to poorer, moderate-income, and disadvantaged school districts to the level the playing field of opportunity and to truly ensure that no child is left behind.

Despite these concerns, the package does provide tax relief that is warranted due to the large projected surplus. That is why I rise to support this compromise tax relief package.

Mrs. FEINSTEIN. Mr. President, I rise to support the reconciliation bill currently pending before the Senate.

Although this bill is far from perfect, I do not think there is a member of the Senate who would not have drafted a different bill giving different weight to different provisions if given the opporutnity. It represents a compromise on a very difficult set of issues and does, in some areas, make progress.

While it does not provide the immediate economic stimulus I would like, for example, it does afford a wage earner providing for his or her family who makes less than $45,000 a tax cut of $300 this year, and $600 next year. Additionally, although not phased-in as fast as I would like, the changes this bill makes to the marriage penalty and the child tax credit provisions will allow a working couple to avoid paying the marriage penalty simply for getting married, and provide them with child tax credits when they have children.

The President requested a $1.6 trillion tax cut over ten years. This reconciliation bill will cost $1.35 trillion, still a sizable amount, over 11 years, including $100 billion for economic stimulus.

This bill contains several provisions which I believe are important to assure the continued long-term economic health of the American economy and which will benefit many hard-working American families: It contains the creation of a new, retroative, 10-percent tax bracket which has the effect of benefitting every single American who pays income taxes. Most of the benefit of the 10 percent bracket goes to people who earn less than $75,000 a year. It contains an across-the-board tax cut, including reductions in the upper brackets. Significantly, this legislation does not go as far as the President's proposal. The 39.6 percent bracket, for example, will fall only to 36 percent, not the 33 percent the President wanted. This is a fair compormise. It provides significant marriage penalty relief although that does not go into effect until 2005. Marriage penalty makes sense for social reasons: It reinforces the important institutions of family and marriage. It eliminates what many of us see as a vast inconsistency in our tax law. The marriage penalty simply makes no sense: Two people should not find that they pay more in taxes if they are married than if they stay single. Although not phased-in as quickly as many of us would like, this bill will eliminate this problem for many couples who now find they face a marriage penalty. I hope that the Conference Committee would find a way to implement this reform earlier than 2005.

It provides significant estate tax reform and repeal. I have long held that people should not be forced to pay a tax simply because of the death of a parent or spouse. In all too many instances under the current estate tax families are forced to sell a primary residence or go deeply into debt to hold on to a family farm or business simply because of the estate tax triggered by the death of a loved one. This legislation will first raise the unified credit to $4 million and lower estate tax rates and, then, in 2011, repeal the estate tax. Estate assets will not escape taxation under this approach. Rather they will be taxed at a stepped-up capital gains rate of 20 percent if and when a family chooses to sell them. This will allow families to keep the family home, business, or farm and, I believe, represents real progress on this issue.

This is especially important for California because of high land and property costs. Under the present estate tax, the heir of a $3 million estate which includes a home or business or farm could pay $700,000, or 45 percent of the taxable estate value of $1.7 million in estate taxes, due immediately. In future years, because of astronomic increases in land and property values, this will affect many more Californians than in the past. A child who does not have the cash to pay the tax may be forced to sell the family home, business, or farm. I cannot support a tax where rates are so high that they force an heir to sell their inheritance simply to pay the tax on it, especially in the case of farms or businesses where taxes have already been paid on the income which was used to purchase the asset.

This reconciliation bill expands the tax credit for families with children from $500 to $1,000 per child; increases the amount of the credit that is partly refundable so lower income families can benefit; and it expands and simplifies the earned-income tax credit so it is available to many more low-income working families than it is today. For example, under the current rules a family with one child would have to earn at least $14,000 to have a fully refundable credit of $600. This bill will extend the credit to families with incomes of $10,000.

It provides incentives for parents to set aside money for their children's future education by expanding the education savings accounts contribution limit from $500 to $2,000; extends the employer-provided tuition assistance credit to encourage employers to help employees continue their education; and helps college students pay off their student loans by eliminating the 60-month limit on deductibility of student loan interest.

It includes pension provisions to provide an incentive for people to save for their retirement, including increasing the contribution limits for IRAs from $2,000 to $5,000 by 2011; increasing 401(k) contribution limits from $10,500 to $15,000 in 2010; and includes provisions to help provide retirement fairness for women, including allowing "catch up" contributions to retirement plans for individuals over age 50.

It includes a down payment towards fixing the Alternative Minimum Tax, AMT, problem, an issue that is projected to mushroom by 2010. More needs to be done to make sure that middle class families do not find that because of the AMT they do not receive the benefits promised under this tax cut package. But I am pleased that in taking this first step the Senate has recognized that this is a big problem, especially for states like California, and I look forward to continuing to work with my colleagues in the years ahead to fix this problem before it develops into a genuine crisis.

I have had two concerns about this approach taken in this legislation, however. First, that the costs of this tax bill after 2011 may be quite high—as much as $3 to $4 trillion by some estimates.

That is why it was critical, for me to be able to support this legislation, that the "sunset" provisions remained in place and that the provisions included in this bill expire in 2011.

Although I fully expect that Congress will extend many, if not all, of these provisions, this provides us a critical opportunity to make a mid-course correction if, 10 years from now, a different approach on these issues is called for.

Second, I want 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.

That is why I supported the amendment offered by Senators BAYH and SNOWE to create a "trigger mechanism" which will allow us to slow-down the phase in of some of these tax provisions should we not meet our debt reduction goals. Although this bipartisan amendment narrowly failed, I think that it sends an important message about our commitment to fiscal responsibility.

On the whole I think that the bill pending before the Senate today represents a fair compromise on a most contentious issue.

Today we are voting on a $1.35 trillion package, some $150 billion more than the Senate approved in the budget amendment last month with 65 votes, but still a fair package with many positive elements. So let there be no mistake: This is a large bill, and represents a major change in the tax system. As this reconciliation bill goes to conference, it is my sincere hope that the conferees understand that for myself, and, I believe, many of my colleagues, the package that we are voting on here today represents what we consider to be fair and balanced, and that we would have considerable difficulty supporting any changes which may threaten to upset this balance.

I urge my colleagues to join me in support of this reconciliation bill.

Mr. FITZGERALD. Mr. President, I rise to speak about the Holocaust Victims Tax Fairness amendment, No. 670, to H.R. 1836, which I offered last Thursday, and which was approved by the Senate yesterday by voice vote.

I would like to thank Senators SCHUMER, JEFFORDS, CLINTON, MCCAIN, TORRICELLI, DOMENICI, ALLEN, DURBIN, GORDON SMITH, SPECTER, BILL NELSON, BINGAMAN, CORZINE, DEWINE, LEAHY, COLLINS, and FEINSTEIN for cosponsoring my amendment.

This year we mark the 56th anniversary of the end of the Holocaust. There are as many as 10,000 Holocaust survivors in my home state of Illinois, and over 100,000 in the entire United States, with an average age over 80. It is imperative that Congress act as soon as possible to prevent the federal government from attempting to tax any restitution obtained by Holocaust survivors and their families because of their persecution by the Nazis.

Holocaust survivors and their families have lived through unspeakable horrors. Three weeks ago, I attended a Holocaust Memorial Service at a synagogue in Skokie, Illinois. After the formal proceedings were over, I spoke with a number of survivors of concentration camps, and heard what they were able to tell me about their dreadful experiences. One survivor of Auschwitz told me things she had never told her children. Why? Because I was a United States Senator, and she felt she had to tell me so that the Holocaust would never be forgotten, even though remembering these horrors caused her indescribable pain.

The accounts of these survivors remind all of us that America has an obligation to continue to pursue justice and compensation for Holocaust victims and their families.

My amendment, the Holocaust Victims Tax Fairness Act of 2001, would prevent the Federal Government from imposing the Federal income tax on Holocaust restitution or compensation payments that victims or their heirs may receive.

The IRS has indicated in various private letter rulings that certain restitution money is exempt from the Federal income tax, but these rulings apply only to the specific individuals who received them, or to specific settlement funds, not to all recipients of compensation and restitution.

The U.S. Treasury Department has made clear that Federal legislation is needed to ensure that all compensation and restitution payments are protected from unfair taxation. In fact, the Bush Administration Treasury Department supports my legislation, as did the Clinton Administration last year. The Holocaust Victims Tax Fairness Act of 2001 will provide certainty for elderly Holocaust survivors, thereby sparing them from having to navigate complex legal and bureaucratic processes.

More than 50 years after the end of World War II, many banks and companies in Europe are beginning to return stolen assets to survivors of the Holocaust and their heirs. In August of 1998, two of the largest banks in Switzerland agreed to distribute $1.25 billion as restitution for assets wrongfully withheld during the Nazi reign. And in February of 1999, the German government agreed to establish a fund to compensate victims of the Holocaust.

This amendment ensures that the beneficiaries of these settlements and other Holocaust restitution or compensation arrangements can exclude the proceeds from taxable income on their Federal income tax forms. The measure also ensures that survivors and their families do not lose their eligibility for federal or federally assisted need-based programs when they receive Holocaust-related restitution or compensation payments.

Those of us too young to have lived in those times can never know the pain of the survivors. But we must learn from them. We who were born after the war must commit ourselves to try our best to shoulder the responsibility the survivors have carried for so long. While the restitution settlements pale in comparison to what they have lost, this legislation ensures that survivors and their families can keep all that is returned to them without being unnecessarily burdened by taxes or excluded from need-based programs.

The Congress must send a clear message that to allow the federal government to tax away any reparations obtained by Holocaust survivors or their families because of their persecution by the Nazis or their sympathizers is simply unacceptable. Given that the average age of Holocaust survivors now exceeds 80 years of age, we believe it is imperative that the Congress act now to prevent the Federal Government from attempting to tax this money.

Similar legislation was agreed to by the Senate as an amendment to the Taxpayer Refund Act of 1999. The provision was retained in conference, but the final bill was vetoed, preventing this important measure regarding Holocaust restitution from becoming law.

My amendment improves significantly upon bills on this issue that were introduced in the 106th Congress. For example, this amendment is more carefully crafted to encompass all possible types of restitution and compensation that Holocaust survivors or their heirs may receive in the coming years.

Furthermore, unlike previous versions, my legislation ensures that survivors and their families do not lose their eligibility for Federal or federally assisted need-based programs when they receive Holocaust-related restitution or compensation payments; this provision expands upon a 1994 law that protected only victims, not their heirs, from losing benefits from need-based programs because of restitution payments. My legislation corrects this unfortunate omission in the 1994 law.

Finally, unlike previous versions, my amendment provides that the initial tax basis of property returned to Holocaust victims or their heirs will be the fair market value of the property on the date of recovery. This provision ensures that Holocaust survivors who receive in-kind, rather than cash, restitution do not have to pay tax on capital gains if they immediately sell the property. Survivors should not be unfairly penalized because they receive in-kind restitution; and the Federal Government should not make one dime on Holocaust restitution, whether the restitution is in cash or in kind.

This legislation has strong bipartisan support in Congress. Twenty Senators have already cosponsored S. 749, a bill I introduced last month that is identical to this amendment.

Many organizations that work to assist Holocaust survivors have endorsed the Holocaust Victims Tax Fairness Act of 2001, including the Conference on Jewish Material Claims, the Anti-Defamation League, B'nai B'rith International, the American Jewish Committee, and the American Gathering of Jewish Holocaust Survivors-the largest organization of American Holocaust survivors.

After over 50 years of injustice, Holocaust survivors and their families are reclaiming what is rightfully theirs. Even as we support these efforts to reclaim stolen property, we must do our part in protecting the proceeds. I thank my colleagues in joining me in supporting this amendment.

Mr. CAMPBELL. Mr. President, today I express my support for H.R. 1836, the Tax Reconciliation Act of 2001. This bill is the largest income tax relief bill in 20 years and I believe the American taxpayers deserve and desire this legislation.

The Tax Reconciliation Act goes a long way to relieve taxpayers of an unfair tax burden. This bill provides: broad-based tax relief by reducing tax rates; family tax relief by addressing the Marriage Penalty Tax and by immediately increasing the Child Credit to $600; $150 billion to Estate Tax Relief and by repealing the Estate Tax by 2011; $30 billion in education benefits and $40 billion in retirement and pension benefits, and by extending the availability of the child credit under the Alternative Minimum Tax (AMT) and by increasing the AMT exemption amount.

I am particularly interested in the estate tax relief because again this year I introduced the Estate and Gift Tax Rate Reduction Act of 2001, S. 31. Estate and gift taxes remain an unfair burden on American families, particularly those who pursue the American dream of owning their own business. Why should family-owned businesses and farms be hit with the highest tax rate when they are handed down to descendants—often immediately following the death of a loved one? These taxes, and the financial burdens and difficulties they create come at the worst possible time. Making a terrible situation worse is the fact that the rate of this estate tax is crushing, reaching as high as 55 percent for the highest bracket. That is higher than even the highest income tax rate bracket of 39 percent.

Furthermore, the tax is due as soon as the business is turned over to the heir, allowing little time for financial planning or the setting aside of money to pay unscheduled tax bills. Estate and gift taxes right now are one of the leading reasons why the number of family-owned farms and businesses are declining. Quite simply, the burden of this tax is just too much.

This tax sends the troubling message that families should either sell the business while they are still alive in order to spare their descendants this huge tax after their passing, or allow the value of the business to decline, so that it won't make it into their higher tax brackets. Whichever the case may be, it hardly seems to encourage private investment and initiative, which have always been such a strong part of our American heritage.

I am pleased that the bill before us takes the important step of addressing this unfair burden. I will continue to work with my colleagues for the complete elimination of the death tax.

I have heard people say that the cost of this bill is too great—that we can't afford it at this time. But I think since we now have a balanced budget and a significant surplus, then the American people deserve this tax relief and they deserve it now. The American people have earned this tax relief.

I know that $1.35 trillion is a lot of money, but we have over a $3 trillion surplus and one reason we have a $3 trillion surplus is the taxpayers got their taxes raised too much. If the American people overpaid, then the American people should get their money back—that is just fair.

The Tax Reconciliation Act of 2001 is the largest middle-class tax relief in twenty years and I think it is high time the hard-working taxpayer get this relief. I support this legislation and I urge my colleagues to do the same.

Mr. MURKOWSKI. Mr. President, we have engaged in a very hard-fought battle on the Senate floor since last Thursday. Some would say that this has been a partisan battle, and in many ways it has been a good partisan battle. If you look at the series of amendments that we have considered these past few days, you will see a fundamental philosophical division between the majority of both parties in the Senate.

The Republicans have stood firmly for the proposition that the American people have been overtaxed and deserve a partial refund of the huge $5.6 trillion surplus that is expected to accumulate over the next 10 years. We are not saying all of the surplus should be returned to the American taxpayer, but a modest portion—25 percent deservedly belongs to hard working American families. The remainder will be used to preserve and protect Social Security; enhance Medicare and pay down the national debt.

On the other hand, the Democrats have come up with dozens of amendments that reduce the size and scope of tax cut in order to promote more federal spending. In fact, I think one amendment offered by the senior Senator from Michigan, Mr. LEVIN, pretty much sums up the philosophy of the Democratic Party. That amendment provided that if Government discretionary spending went beyond the amounts set forth in the budget resolution, then the Secretary of the Treasury would be required to raise the top marginal rates paid by individuals.

In other words, let the Congress spend as much of the taxpayers' money as it pleases, with no discipline, no limits and then pay for that spending with administrative tax increases. Thus if Congress spends $200 billion more than budgeted, the Treasury Secretary simply can push a button and the top marginal rate could be 50 percent or 60 percent of whatever it takes to pay for wasteful spending.

Fortunately, that unconstitutional amendment was defeated, though 41 of the 50 Democrats supported the concept of this unconstitutional delegation of taxing authority and the lifting of all discipline or spending.

That said, the final bill before us is a bipartisan measure that will bring much needed tax relief to nearly every taxpayer in the country. And for more than 10 million individuals and families with no income tax liability, they will receive a rebate of payroll taxes; 19 million of the 64 million individuals and families with a top income tax rate of 15 percent will now have a top rate of 10 percent. And that tax cut is immediate and retroactive to January 1, of this year.

More than 30 million families will benefit from the increased child credit, 10 million of whom will receive a refundable child credit. Over more than 40 million couples will benefit from the marriage penalty relief contained in the bill and small businesses, the engine of growth in this country, will now be able to preserve their family assets without the threat that the government will force the business' break-up because of the punitive death tax.

For Alaska Natives, the bill contains a provision that will allow Alaska Native Corporations to establish settlement trusts. This is only fair. These tribal corporations, unlike lower-48 tribes, are required to pay income taxes. Settlement trusts will allow them to invest some of their earnings for the future social benefit of their members.

And for the many employees who work in the building and construction trades, the bill includes a provision that will allow them to receive pensions that better reflect the pension agreements their unions negotiated as part of multi-employer agreements.

This is a fair and balanced tax cut. I would have preferred we would have cut taxes even more, as the President proposed. But the step we take tonight marks the first major tax cut for all Americans in 20 years. I commend the chairman of the Finance Committee, Senator GRASSLEY, and the ranking member, Senator BAUCUS, for their diligence and hard work in achieving this important relief for the American taxpayer.

Mr. ENZI. Mr. President, I rise in support of S. 896, the Restoring Earnings to Lift Individuals and Empower Families, or RELIEF Act of 2001. It is time we ease the tax burden on all American taxpayers and return part of the surplus to the people who created it.

The legislation before us will benefit American taxpayers and improve our Nation's economy. The provisions of the RELIEF Act of 2001 include across-the-board rate reductions for all Americans, repeal of the death tax, reduction of the marriage penalty, doubling of the child credit, and increased incentives for retirement savings and education. This legislation incorporates some good principles of tax policy, such as encouraging investment, strengthening families, and rewarding savings. It takes an important step in the right direction toward a tax policy more worthy of a great nation.

The RELIEF Act of 2001 will encourage economic growth and productivity by strengthening America's small businesses. Small businesses are the backbone of the American economy. They represent over 99 percent of all employers in America and employ half of America's private workforce.

Small business creates 80 percent of all new jobs in America and accounts for bout 38 percent of the gross domestic product and half of the gross business product. Because of their ability to adapt quickly to changing market conditions, small businesses are nearly the sole source of job growth during times of economic recession. In short, if we want to provide a stimulus to the present economy, we should do all we can as soon as we can to help America's small businesses.

The legislation before us will greatly help small businesses. First, it kills the death tax. It should come as no surprise to anyone that the death tax is one of the most destructive taxes to small businesses. In one foul swoop, this tax can demolish the work of several generations of entrepreneurs.

The death tax rewards savings and investment with crippling tax rates that all too often force families to sell off their businesses just to pay their bill to the IRS. The death tax is a punitive tax on families by penalizing them for trying to pass on their life's labor to their children. I am pleased that this legislation axes the death tax and sends it to its grave where it belongs.

Secondly, the RELIEF Act of 2001 will help stimulate the economy by empowering small businesses in their effort to provide more jobs, invest in their physical facilities, and develop new products that will benefit American consumers and our Nation as a whole. it is important for everyone to understand that most small business owners file their taxes as individuals. Most do not file as traditional C-corporations, but rather organize as sole proprietorships, partnerships, S-corporations or some other structure that allows them to file their taxes using the tax rates for individuals. Each and every one of these ''flow through'' businesses that has positive income will benefit from the tax relief before us.

I would like to give my colleagues and the American people an idea of the number of small-business owners who would benefit under the rate reductions in the legislation before us.

There are nearly 17½ million individuals who had income from sole proprietorships in 1999, the last year for which we have complete data. Each one of these 17½ million people will receive tax relief under this legislation. These might be retailers, dentists, general contractors, accountants, or people employed in any other number of occupations that provide the goods and services that we use every day.

I should mention that these numbers only include taxpayers who had income from non-farm sole proprietorships and does not include business owners who may organize using other business entities, such as partnerships or S-Corporations. If we added in the people who file the schedule F for farm income and those who file schedule E for partnership income, the total would probably be in the neighborhood of 24 million. Since we don't have that data broken down by States, we will consider those small business owners who file as sole proprietorships. Keep in mind that the 17½ million is really the floor rather than the ceiling of small business owners who will benefit from the rate reductions in this bill.

To give people an idea of how this tax bill will benefit their constituents, I would like to share some of the numbers from individual States. In my home State of Wyoming, there were 38,000 people with small business income in 1999. By passing this tax relief, each and every one of these business owners would have more money to put into their businesses and benefit the economy as a whole.

Here is how this often works in the real world. Many of these businesses have a profit on paper which effectively puts these business owners into the highest tax bracket for any given year. If they didn't have to pay 40 percent of their income to the Federal Government, they would use this invest this money into their business by buying more inventory, building, remodeling, or re-tooling their physical facilities.

Many of these businesses would use this money for testing, research and development of new products and technology which would in time greatly benefit the economy as a whole. In my home State of Wyoming, each of our 38,000 business owners are making a great contribution to our local communities and it is time we let them keep a little more of their own money so they can grow their businesses rather than grow the pork in the Federal budget.

If you look at the other States, you will find that they also have significant number of small business owners who will benefit under the tax relief before us.

Montana has 76,000 business owners who would benefit from this tax relief. Like Wyoming, many of these are Main Street businesses which form the backbone of the economy in our small towns and help perpetuate the western way of life.

Colorado has 329,000 business owners who would benefit from this tax relief. Nebraska has 117,000 small business owners who would see their incomes rise from this tax relief. When you include the number of small business owners who operate farms, I expect this number would be considerable higher.

Similarly, 486,000 small business owners in Georgia would find more money in their pockets if we pass the RELIEF Act of 2001.

I have heard the criticism from some on the other side of the aisle that this tax cut is too tilted toward the rich. Some have said that the President's proposal would give millionaires the money to buy a new Lexus while it would only allow middle income people money to buy a new muffler. I really don't know what world they are living in, but I find it interesting that most of the people who are making these claims don't have any experience owning or operating a small business.

I have heard a number of my colleagues on the other side of the aisle express great concern about the number of mega-mergers between multinational corporations over the past several years. They have argued that these businesses continue to swallow up their smaller competitors in many of our communities and all too often have the effect of eliminating any real local competition. As a former small business owner, I am very sympathetic to these concerns.

My experience has taught me that the small, locally owned family businesses are much more likely to be active in their community. These are the businesses that constantly donate their goods and services to local charities, schools, and civic organizations in an effort to make their towns better places to live. Small business owners live in the same communities where they sell their products or offer their services and this is generally not true of the large, multinational corporations. Since most small businesses pay taxes under the individual rates, this legislation takes an important step in leveling the playing field with their large competitors.

In short, if members of the U.S. Senate want to take one action this year that can greatly aid in the survival of America's more than 17½ million small businesses, they should vote for this tax relief legislation. Members will not have a better opportunity this year to register their support for America's Main Street business owners than the RELIEF Act of 2001.

It is important to understand that we need to lower all the marginal rates to benefit our small businesses. According to treasury data, nearly two-thirds of the taxpayers who would benefit from lowering the top income tax rate are small business owners and entrepreneurs. Contrary to the stereotypes too often painted by the far left, most of the taxpayers in the top income tax bracket are not the idle rich.

Now I have a little experience in owning and operating a small business. I owned operated a Main Street shoe store in Gillette, WY, for 26 years with my wife and our three children. Let me tell you, when I got a tax cut, I did not go out and buy a Lexus. I would take that money and make improvements to my store so that my business would be more successful in the future and I would be better able to provide the services and products that would benefit my family and my community.

I wonder how these 17½ million small-business owners would feel if we told them ''you can't have a tax cut, because we don't trust you to spend your own money. You might just waste that tax cut on a luxury car. You better let us keep that money in Washington so we can continue to increase the size and scope of the Federal Government and have a little more control over every aspect of your lives.'' I don't know who my colleagues are talking with, but I trust the more than 38,000 small-business owners in my State to use their own money as they see fit.

America's taxpayers are long overdue for a return of their surplus. Americans are shouldering the highest peacetime tax burden in our Nation's history. Both the level of taxation and our underlying tax policy are unjust and in desperate need of reform. For too long, we have punished marriage and savings, discouraged innovation and job growth, and punished the same small business owners that deserve much of the credit for our economic success over the past decade.

It is time we listen to the more than 17½ million small business owners spread throughout our States, and our communities. It is they who will benefit from the RELIEF Act of 2001, and they in turn will help us by providing many of the goods and services that we will use every day.

The RELIEF Act of 2001, will benefit every American taxpayer by allowing them to keep some of their own money. It will stimulate the American economy by rewarding entrepreneurship and job creation. It respects marriage and the family. It encourages savings and investment. It gives Americans greater freedom over their incomes and their futures. I applaud Chairman GRASSLEY and Senator BAUCUS for their hard work in writing this legislation and bringing it before the Senate today. We should enact this legislation with all deliberate speed. I urge my colleagues to join me in supporting the RELIEF Act of 2001.

Ms. SNOWE. Mr. President, I rise in support of the bipartisan tax cut package which passed the Finance Committee on Tuesday.

I first want to thank and commend Chairman GRASSLEY and Ranking Member BAUCUS for working so closely together to build a principled consensus one that not only brings this pressing issue to the floor in a timely fashion, but will also ultimately benefit the people of this nation. They have worked tirelessly for a fair and balanced tax cut bill, and I believe they have achieved that goal.

Inevitability, none of us will agree with everything in this bill. Some will wish we had done more, some less. But that is the sign of true compromise.

It is not about any one of us getting everything we would like. It's about making a judgment as to whether the preponderance of the measures in a given bill works for the good of the country. That is how the process should function—however difficult that process may be, and however much it may require us as individuals to compromise on facets of the bill we would prefer to be different.

We cannot allow the gears of the deliberative process to become jammed with the monkey-wrench of absolutism. This is not the time to retreat into the false haven of ideological absolutes. Especially in these perilous economic times, we cannot let personal or partisan differences get in the way of passing a fair and meaningful tax cut. Of course we have an obligation to speak our minds and to make changes where and when we can. But we also have an obligation to heed the warning signs our economy is sending.

I think everyone has probably had the opportunity to read at least a number of the myriad articles on the state of the economy. One Business Week article spoke of a terrible first quarter, stating that "the earnings of the 900 companies on Business Week's Corporate Scoreboard plummeted 25 percent from a year earlier . . . The first quarter profit plunge was the Scoreboard's sharpest quarterly drop since the 1990–91 recession."

Productivity fell at a 0.1 percent annual rate in the first quarter—the first quarterly drop in 6 years. And layoffs are at their highest levels since they were first tracked in 1993, with major corporations announcing more than 572,000 job cuts this year. Little wonder, then, that the unemployment rate has risen to 4.5 percent, with April's job loss the largest since February 1991.

Even more ominous is Business Week's recent observation that if wide layoffs of high wage earners continue, the likelihood of recession becomes even greater.

And the Washington Post noted recently that Federal Reserve cuts in interest rates have been the most aggressive since the second quarter of 1982—the worst recession since the Great Depression—and that observation came before the most recent half-percent rate cut. We cannot ignore these economic storm clouds that may portend negative consequences for American workers as well as our economic future.

And while it is true that a tax cut may not actually prevent a recession, if one is in the offing, I well remember the words of Federal Reserve Chairman Alan Greenspan, who came before the Finance Committee in January.

Chairman Greenspan stated that tax cuts, while perhaps not having an immediate effect, could act as "insurance" should our recent downturn prove to be more than an inventory correction . . . that it could soften the landing and shorten the duration of any recession should it occur. Again, there are ominous clouds on the horizon, and let's keep this in mind as well—"blue chip" economists have indicated just this week that they are factoring the tax cut in their projections.

In fact, if there is one concern I have with this package, it's that, given our growing economic uncertainty and the grim repercussions it could have, we need to do even more this year to get money into the hands of taxpayers and to get the economy back on track.

I know there is an ongoing discussion about whether the best way to do this is to adjust the withholding tables as this bill envisions, or to issue checks directly to taxpayers. In the end, I think that whatever method best gets this into taxpayers hands—be it accelerated withholding, sending checks, or a combination of the two—is an imperative and I would urge the conferees to develop such a plan as they craft the conference report.

The fact of the matter is, the case for cuts has never been more compelling—it's an issue of our economic health and well-being, and it's an issue of fairness for the American taxpayer—who shouldered the burden of the debt and created the surplus in the first place.

As a percent of GDP, Federal taxes are at their highest level, 20.6 percent, since 1944—and all previous record levels occurred during time of war or during the devastating recession of the early-1980s, when interest rates exceeded 20 percent and the highest marginal tax rate was 70 percent.

The fact of the matter is, it would be irresponsible not to return a reasonable portion of the surplus—which is really just an overpayment in the form of taxes—to the American taypayer. And there should be no mistake—if we fail to pass a meaningful relief package, we will fail both working families and the economy upon which their work depends.

And let us not forget that this package is nearly 25 percent smaller than was proposed by President Bush in his budget. Let us not forget that it will utilize less than one-half of the projected surplus over the coming 10 years, 45.7 percent, excluding both Social Security and Medicare surpluses.

In fact, even with a $1.25 trillion tax cut over the coming ten years, we will still have about $1.5 trillion available for other priorities, including the funding of a new prescription drug benefit and additional debt reduction. Mr. President, this package is neither unreasonable nor irresponsible.

As to the issue that's been raised of "backloading" the tax cuts in this bill, as the chart behind me demonstrates, the structure of the tax package is phased-in to reflect the flow of surpluses projected to accrue over the coming ten years.

Specifically, during the first 5 years, when the non-Social Security and non-Medicare surpluses are smaller, the tax cut is also smaller. In later years, as the surpluses grow, the tax cut grows as well. The alternative is to phase-in the tax cuts more rapidly and dip into the Social Security and Medicare surpluses—not an option at all in my book.

Just as importantly, many of us fought hard to ensure that the benefits of this tax cut package will be weighted toward those who need relief the most—middle and lower-income taxpayers.

We have before us a thoughtful proposal that addresses concerns I, myself, had with the distributional effects of the original package. And it does so in a variety of meaningful ways—retroactively creating a new "10 percent" bracket . . . providing much-needed AMT relief for middle-income families . . . and ensuring marriage penalty relief for all couples while bolstering the Earned Income Tax Credit program by providing $22.5 billion over the duration of the package.

And we didn't stop there. The bipartisan education package that the Finance Committee reported in March is included in this bill, along with a new deduction of up to $5,000 for higher education tuition paid, and a new credit of up to $500 for interest paid on student loans—provisions that I have sought along with Senators TORRICELLI and SCHUMER.

With the cost of college quadrupling over the past 20 years—a rate nearly twice as fast as inflation—and with students borrowing as much during the 1990s as during the 1960s, 1970s, and 1980s combined, these provisions will provide critical assistance to individuals and families grappling with higher education costs.

It also includes the bipartisan IRA and pension package—introduced separately by Senators GRASSLEY and BAUCUS that will not only strengthen and improve access to pensions and IRAs, but also enhance fairness for women who frequently leave the workforce during prime earnings years, and suffer from reduced retirement savings accordingly.

And finally, no package could truly be said to produce fairness without including a refundable child tax credit. That is why I worked with Senators LINCOLN, JEFFORDS, KERRY and BREAUX—as well as both the chairman and ranking member—to include a provision that builds on the President's proposal to double the $500 per child tax credit by making it refundable to those earning $10,000 or more, retroactive to the beginning of this year.

This is introducing a wholly new concept with respect to that child tax credit, and one that is most assuredly warranted. For the first time we will provide and expand benefits to minimum wage earners.

How will this help? In its original form, the tax relief plan would not have reached all full-time workers—the tax reduction would have disappeared for wage-earners with net incomes of less than about $22,000. Indeed, without refundability, there are almost 16 million children whose families would not benefit from the doubling of the Child Tax Credit. To give an idea of how many children we're really talking about, that is about twice the population of New York City or about 13 times the entire population of my home state of Maine.

Thanks to the changes we have made, the bill now provides a substantial tax credit to a total of 37 million families and 55 million children nationwide who might otherwise have gained no benefit from the proposal to simply double the per-child credit.

Many of these are families earning minimum wage, struggling to make ends meet in addition to paying their share of State and local taxes, payroll taxes, gasoline taxes, phone taxes, sales taxes, and property taxes. All told, the average full-time worker earning the minimum wage pays more than $1,530 in payroll taxes, and more than $300 in Federal excise taxes.

This is no small burden to working families already living on the fiscal edge. In fact, despite America's strong economy, one in six children live in poverty, and the number of low-income children living with a working parent continues to climb. My provision that is included in this bill to make the child tax credit refundable will give these families a hand up as they strive for self-sufficiency, and give these kids the hope of a childhood without poverty.

The partially refundable credit will provide a benefit of up to 15 cents for every dollar earned above a $10,000 per year threshold. In real terms, this year, a working family with one child and an income of $13,000 would be eligible for a refundable credit of $450; and a family with an income of $14,000 would qualify for the full $600 credit.

As tax reductions and the child tax credit are phased in over 10 years, the maximum allowable refundable credit will rise from $500 to $600 this year, increasing to $1,000 by 2011. Families with more than one child would also receive a refundable credit based on their income.

Will this tax relief solve all the financial problems faced by eligible families? No. But it will help to purchase essentials, like groceries, heating fuel, or electricity. And it sends an important message of encouragement that we want those who work hard and strive to improve their lives to succeed. Refundability shows that tax relief is for all full-time working families.

With these kinds of adjustments, we take a critical first step in ensuring that the balance of this package in its totality will help lower and middle income taxpayers.

In fact, in looking at the various analyses of the changes we made to the package, the Joint Tax Committee estimates that those earning less than $50,000 will see their share of Federal taxes drop from 14.3 percent under current law to 13.8 percent in 2006.

Indeed, the largest reductions in the effective tax rates will apply to those in the $20,000 to $40,000 range. Conversely, in 2006—the fifth year of implementation—the share of federal taxes paid by those with incomes of $100,000 or more will increase from 58.4 percent to 59 percent.

Moreover, as a result of the refundability of the child tax credit, according to Joint Tax, those in the $10,000 to $20,000 income range will see their share of federal taxes reduced from 1.5 percent to 1.3 percent—a reduction of $3 billion. And by 2006, this level is down to 1.1 percent.

If you look at upper income brackets, and I know there are those who still have concerns with the top one percent, according to Citizens for Tax Justice, this gives 19 percent of tax cuts to the top one percent who pay 37 percent of taxes, as opposed to 31 percent in the President's original package.

And in terms of the overall package, it is worth noting that creation of the new 10 percent bracket alone accounts for $438.6 billion, while reductions in all other brackets amount to $397.3 billion—that's 52 percent of the cuts going to the lowest bracket, with 48 percent going to all others.

At the same time, the share of federal taxes paid by those with incomes of $50,000 to $100,000 will fall from 27.3 percent to 27.1 percent—and from 14.3 percent to 13.8 percent for those earning under $50,000. So yet again we've seen a shift in the weighting of the bill away from benefits for the higher income brackets.

As for the compromise we developed that results in a reduction of the uppermost bracket from 39.6 to 36 percent, it is worth noting that many individuals in that bracket are small business owners whose business-related income is taxed as personal income.

According to the Treasury Department, in 2006, 63 percent of the tax returns that would benefit from reducing marginal rates in the top two brackets would be reporting some income or loss from a business. And in my home state of Maine, for example, about 97 percent of all businesses are small business.

The reality is, small businesses have played a central role in our nation's economic expansion. From 1992 to 1996, for example, small firms created 75 percent of new jobs—up 10.5 percent—while large-company employment grew by 3.7 percent. So why—when we're talking about such a tremendous impact on individuals and the economy . . . when the top corporate tax rate is 35 percent—why should we continue making small business men and women pay so much more?

I think the American public often thinks about tax cuts the way they would think of winning the lottery it would be great if it really happened, but it in reality it really only happens for ''the other guy'' . . . that tax cuts will only apply to someone else . . . and if they do happen, they'll be so small as to have no appreciable effect on everyday life.

Well, the American people should know that this tax cut applies to everyone, and especially those who could use the break the most. And that's true not just on paper, but in reality—in the real world.

For example, a married couple with two children and $15,000 in income will pay no income tax. They will receive $4,008 from the earned income tax credit—an increase of $402—and a benefit from the expanded per-child tax credit of $600. That is over $1,000 extra in their pocket—that's going to mean a lot to that family making $15,000 a year.

The point is, this is no phantom tax cut—this is real, this is balanced, and this is fair. And what this all comes down to is, if you are really serious about cutting taxes, you should support this package that begins the process of providing some relief given, once again, the status of our economy and the tax burden on the American people.

We know we are never going to get unanimity on an issue of this magnitude. But we can have progress and we can come to some kind of consensus. This package represents a bipartisan effort that, in the aggregate, is good for our future and good for the American taxpayer today. And it deserves our support.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill pass?

Mr. CRAIG. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 62, nays 38, as follows:

[Rollcall Vote No. 165 Leg.]

YEAS—62

Allard	Feinstein	McConnell
Allen	Fitzgerald	Miller
Baucus	Frist	Murkowski
Bennett	Gramm	Nelson (NE)
Bond	Grassley	Nickles
Breaux	Gregg	Roberts
Brownback	Hagel	Santorum
Bunning	Hatch	Sessions
Burns	Helms	Shelby
Campbell	Hutchinson	Smith (NH)
Carnahan	Hutchison	Smith (OR)
Chafee	Inhofe	Snowe
Cleland	Jeffords	Specter
Cochran	Johnson	Stevens
Collins	Kohl	Thomas
Craig	Kyl	Thompson
Crapo	Landrieu	Thurmond
DeWine	Lincoln	Torricelli
Domenici	Lott	Voinovich
Ensign	Lugar	Warner
Enzi	McCain	

NAYS—38

Akaka	Dodd	Lieberman
Bayh	Dorgan	Mikulski
Biden	Durbin	Murray
Bingaman	Edwards	Nelson (FL)
Boxer	Feingold	Reed
Byrd	Graham	Reid
Cantwell	Harkin	Rockefeller
Carper	Hollings	Sarbanes
Clinton	Inouye	Schumer
Conrad	Kennedy	Stabenow
Corzine	Kerry	Wellstone
Daschle	Leahy	Wyden
Dayton	Levin	

The bill (H.R. 1836), as amended, was passed.

Mr. LOTT. Mr. President, I move to reconsider that vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LOTT. Mr. President, parliamentary inquiry: Do we have an agreement to be in morning business?

The PRESIDING OFFICER. Yes. If the leader will permit. under the previous order, the Senate insists on its amendments and requests a conference with the House of Representatives.

Under the previous order, the Chair now appoints Mr. GRASSLEY, Mr. HATCH, Mr. MURKOWSKI, Mr. NICKLES, Mr. GRAMM of Texas, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. DASCHLE, and Mr. BREAUX conferees on the part of the Senate.

Mr. LOTT. Mr. President, even though the distinguished managers of this legislation have just left the Chamber, I want to say once again, as I have earlier, I think we should congratulate our two managers, the chairman of the Finance Committee, Senator GRASSLEY, and the ranking Democrat on the Finance Committee, MAX BAUCUS. They have done yeoman's work. There are a lot of us who say that the chairman and ranking member of committees should always reach out and try to work together and find a way to have a bipartisan agreement. In this case, these two gentlemen have done it.

Perhaps there is not a total happiness with their agreement on either side. But this is the way it should work. I think they have come up with a good package and they should be commended. We didn't set a record with a number of votes on a package of this nature, but we did do 54 votes on amendments. We went through a lot of hours, having votes basically every 15 minutes. We stayed right with it. They are exhausted, but they are also exhilarated, as they should be, because this is a real good day's work.

I know this legislation is going to be good for America, good for job security, and economic growth for working families of America and for their children. It does have the core components the President asked for but also other areas, such as education, pension savings, and the alternative minimum tax.

So they have done good work, and I am glad we have passed this tax relief package. They now have to go to conference and that, too, will be a challenge. I am sure they are up to it, and they are going to work to make sure the interested parties in the House and the Senate, on both sides of the aisle, are included.

So this has been a real lift to get it completed. I know it has been difficult on both sides of the aisle. I know Senator REID has been here through the long hours—12 hours, I believe, yesterday alone. Senator DASCHLE and I talked many times to try to find a way to bring it to a conclusion. We have been able to achieve that.

The vote speaks for itself; 62 Senators voted aye for tax relief for America. I am very happy that this hurdle has been jumped and now we go to the final stage.

With that, I yield the floor.

The PRESIDING OFFICER. The Democratic leader is recognized.

Mr. DASCHLE. Mr. President, I will use my leader time to make a few comments about the tax bill. Let me first begin by congratulating the distinguished chairman and the ranking member. While I differ with the outcome, I certainly do not differ with the manner in which they worked together. I appreciate the bipartisan spirit in which they worked, and I hope we can see more of that in the future.

I do hope we can see a different result in the future as we face these critical questions. I believe with all my heart that we will regret the day this passes and is sent to the President for his signature. I think we will regret it, in part, because it is based on projections that are very faulty. We will not realize a $5.7 trillion surplus. I think we can predict that safely. We also recognize that, with the uncertainty of the budget and all of the economic conditions that we will face, to commit to a tax cut of more than $4 trillion in its entirety over a 10-year period of time is not in keeping with the fiscal responsibility that we have all said we are so proud of—the fiscal responsibility that actually brought about surpluses over the course of the last 3 years.

So our first concern has been, and continues to be, that it is based on faulty projections. Our second concern is that it will crowd out all other priorities that we hold, in some cases, in both parties. We say we are for reducing the public debt. I believe that as a result of the passage of this legislation there will be no further reduction of public debt. We all have indicated a willingness to support prescription drug benefits. I predict that as a result of this we will be told we can't afford prescription drug benefits.

We all indicated that we advocate strongly protecting Medicare and Social Security. This bill will force us to tap into the Medicare fund, the Social Security fund, and deny the protection and the kind of viability in those trust funds that we have counted on these last several years. This bill will not allow us to provide the kind of resources for investment in education that we have all said is important to both parties and this country. So across the board, this legislation crowds out and, in some cases, eliminates our opportunity to address America's priorities in a balanced and meaningful way.

The third concern I have is one of fairness. We can do better than this. We ought to do better than this. When we provide a third of a $4 trillion tax cut to the top 1 percent, a third to the next 19 percent, and a third to the bottom 80 percent, that doesn't say much about the balance and our sensitivity and empathy for working families all across this country.

There is only one group of taxpayers who will not receive any marginal rate reduction in this bill, and that is the 72 million taxpayers who will still pay the 15-percent rate. That is wrong. We ought to do better than that. We ought to be sending a clear message that we understand they deserve a tax rate cut like everybody else. But that is not what this bill says. So I am concerned about the fairness. I am concerned about the imbalance that this legislation represents.

Mr. President, for all of those reasons, I regret the fact that we passed this legislation today with the vote that we did. I suspect we will be back addressing budgetary and other implications for many years to come. I hope in the future we will remember our promise, our commitment to fiscal responsibility, our commitment to the other issues that we have all said are important not only to us, but to the country. I hope, in a bipartisan way, our judgment in the future will reflect those commitments more accurately than the one we have just made today.

I yield the floor.

MORNING BUSINESS

A PROCEDURAL TRAVESTY

The PRESIDING OFFICER. The Senator from South Carolina is recognized.

Mr. HOLLINGS. Mr. President, just a couple words. The fact is, Mr. President—and I speak advisedly—this is a travesty; it is a travesty economically and, more than that, a travesty procedurally with respect to the Senate. I speak as having served on the Budget