

and pay military pay. Over a period of years a lot of money accumulated.

In the last highway bill, Congress decided we ought to spend down that money that accumulated in the highway trust fund, and we spent it down. Not entirely, but we are spending it down. Consequently, if you can take that money that accumulated in the highway trust fund, that was not spent on roads on a current basis, but later was and is being spent for highways, it is exactly the same for Social Security. Moneys accumulate, with interest accruing to the trust fund, to be spent when it is needed, in the same way that the gas money, when it was not spent on highways, accumulated and later Congress decided we ought to spend more money on highways and we spent more money on highways.

It is one of the facts of trust fund accounting. The problem comes when we put Social Security in the context of a unified budget that it somehow gets lost in the public's mind. I assure the public that the implication of the statement by the ranking Democrat on the House Budget Committee, Congressman SPRATT, that the President's war on terrorism, the American people's war on terrorism could somehow be paid for by Social Security. In fact, it is not being financed by Social Security money.

TAX RELIEF

Mr. GRASSLEY. Mr. President, I will comment also on the tax relief bill signed by the President of the United States on June 7, the tax bill that Senator BAUCUS and I wrote in a bipartisan way, to get passed last year. I will concentrate on the stimulative impact on the tax bill of last year because now, being in a recession and being on another stimulus package, I don't think we ought to lose sight of the fact that the tax bill of last year is having some economic good at a time most needed, in a time of recession.

It does contain a significant number of tax reduction and tax relief provisions that will go into effect and should help build consumer confidence. Part of the economy may be uncertain, but the tax outlook is clear: Under the law we passed, Federal income taxes have declined and will continue to decline over the next 10 years. Taxpayers can take that knowledge to the bank, regardless of Senator KENNEDY's suggestion that we not allow the remaining provisions of the tax bill to go into effect.

Obviously, I don't think Congress should stop here. Our huge economy needs a shot in the arm. The tax bill of last year will help to provide that shot in the arm. It contains a generous amount of relief for individual taxpayers. Some of the measure's tax cuts went into effect last year and many other provisions became effective January 1 of this year. Those are the provisions I will address.

There is a new 10-percent rate bracket. The act created a new 10-percent

regular income tax bracket for a part of taxable income that had otherwise been taxed at a higher rate of 15 percent. The 10-percent bracket applies to the first \$6,000 of taxable income for single individuals; \$10,000 of taxable income for heads of household; and \$12,000 for married couples filing jointly. This is effective beginning after December 31, 2000. That money is out there to stimulate the economy right now, but it will continue this year and next year and into the future.

We had a reduction in other individual tax rates, the regular income tax rates phased down over 6 years. So effective July 1 of last year through 2003, the 28-percent rate is cut to 27 percent. We hope in this economic stimulus package to speed that one rate up, it be reduced to 25 percent right now to help middle-income taxpayers and to stimulate the economy at the same time. However, as written in last year's tax bill, the 31-percent rate is cut to 30 percent right now. The 36-percent rate is cut to 35 percent right now. The 39.6-percent rate is cut to 38.6 percent.

Eventually, all these separate rates, after this phase-in period is done, will become 25 percent, 28 percent, 33 percent, and 35 percent, respectively.

An increase and expansion of the child tax credit is surely going to help families, particularly middle-income families, particularly those in the \$30,000-a-year income tax range, with their family needs, putting more money in their pockets. It is going to be a stimulus to the economy. The child credit was expanded to \$600 per child, immediately through the year 2004; it goes up to \$700 through the year 2008; \$800 through the year 2009; and finally, \$1,000 in 2010. But, more important, the child credit was made refundable to the extent of 10 percent of the taxpayer's earned income in excess of \$10,000 for the years 2001 through 2004, and this is increased to 15 percent after the year 2005.

I emphasize that because of all the people who say the Tax Relief Act of last year was for the wealthy. A refundable credit is helping people of the lower income tax bracket very much. For example, in the year 2001, a single mother with two children, making \$15,000, received a credit of \$500. This single mother likely now will receive a bigger tax refund check when she files her 2001 tax return by April 15. This expansion of the child credit will ensure that millions of low-income families, not rich people, will now receive the benefit of this child credit. For those people who spend so much of their income, maybe all of it in some cases, they are going to have more money to spend, and that is going to stimulate the economy.

Then we have the extension and expansion of the adoption tax credit, not so much as a stimulus to the economy but because stable families are very important to our society. Moving children out of foster care into a home

where they can actually have a mom and dad is very important social policy. So we move the tax credit from \$5,000 to \$10,000. Today, in the case of the special needs child, that tax credit is \$6,000. This provision significantly eases the financial burden of adoption and encourages adoption. This is in effect for taxable income starting this year.

We have a tax credit, then, for employers who provide child care for their employees. In my State of Iowa, 72 percent of the households have both spouses working, the highest percentage of any State in the Nation. For those families who have children, the need for dependable child care is very important. Getting that from the employer is even better for those families. So this new tax credit provides an incentive for employer-provided on-site daycare facilities. This is effective for taxable years beginning right now.

We have marriage penalty relief, and it relates to the earned-income tax credit. That earned-income tax credit, which is available only to low-income families, phases out for married couples. We increased that phaseout by \$1,000 immediately and ultimately increase it to \$3,000. So those families who would otherwise have that earned-income tax credit phased out, not having the money, not being able to stimulate the economy, now are going to have up to another \$1,000 immediately available. Again, being low-income families, that ought to help stimulate the economy starting right now for the year we are in.

Mr. President, I see the Senator from Vermont. Is it possible for me to have another 5 minutes?

Mr. LEAHY. Of course.

Mr. GRASSLEY. I ask unanimous consent if I may have 5 more minutes.

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

Mr. LEAHY. If I might then be recognized after the Senator?

Mr. GRASSLEY. I add that to my unanimous consent request.

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

Mr. GRASSLEY. I thank the Chair.

So, obviously, this is going to help stimulate the economy because this \$1,000 is going to go to low-income families who do not have very much discretionary income and can use it to improve their lot. But at the same time it will stimulate the economy—whether it is spent or whether they save it.

We have improvements in the education savings accounts, or what we might call education individual retirement accounts, individual education IRAs. The annual limit on contributions to the education savings account increases from \$500 to \$2,000. The definition of qualified education expenses that may be paid tax free from the education savings account is expanded to include elementary and secondary school expenses. The phaseout ranges—for married taxpayers filing joint returns, it is increased to become twice

the rate of single taxpayers, so more families can take advantage of this. Corporations and other entities, including tax-exempt groups, are permitted to make contributions to education savings accounts. These changes are effective right now, this taxable year.

Then we have expanded consideration of prepaid tuition programs. Several provisions will encourage participation in prepaid tuition programs for higher education. Investment gains will be tax free, and private colleges and universities happen to be offering these plans. This provision goes into effect now.

There is an exclusion for employer-provided educational assistance. This extends the exclusion to graduate education and makes the exclusion for undergraduate and graduate education permanent, effective right now.

Then we have improvement in the student loan interest deduction. This eliminates the 60-month limit on the deduction of interest from a student loan. The income phaseout ranges, for eligibility for the student loan interest deduction, increasing it from \$50,000 to \$65,000 for individuals and from \$100,000 to \$130,000 for married taxpayers on joint returns. We repeal the restriction that voluntary payments of interest are not deductible. These provisions are effective right now.

Then we have tax benefits for governmental bonds for public school construction. These benefits are effective for bonds issued starting this year.

There is a deduction for college tuition, a provision allowing above-the-line deduction for college tuition expenses. It is intended to help low- and middle-income families pay for college.

In the years 2002 and 2003, individuals with adjusted gross incomes of \$65,000 may deduct \$3,000. In the years 2004 and 2005, for those same individuals it would be \$4,000. In the case of taxpayers with adjusted gross income that does not exceed \$80,000, the deduction would be \$2,000.

I just read a lot of provisions that were taken from the tax bill. I started my remarks by talking about the stimulus impact of the tax bill we passed 7 months ago, the impact it is going to have at a time of recession. People might raise some question about the education provisions to which I just referred, of their stimulative impact. In a time of recession, obviously beyond the good that education does generally to help people in their lives in the future, we have a situation where maybe in a recession, families would shy away from going to college—their kids going to college, or adults, independent adults going to college. As they look at the provisions of last year's tax bill and the benefits that come from it, they might see the advantage of continuing their education, even at a time of recession.

Any of that money that is spent as a result of that would obviously have some impact as stimulus in the economy. But for the long haul, it is a stim-

ulus, too, because as people are better educated, they are more productive; they earn more money. It helps the long-term recovery of our economy.

I want to make some reference to the estate and gift tax provisions. These have a beneficial impact, but they are not entirely stimulative for right now. Again, we have small business people who tend to be the most harmed by not being able to pass on the family business to their next generation. There is always a lot of anxiety during times of recession and during times of economic downturn.

We ought to do whatever we can to relieve the anxiety of small business people who are under very tough constraints because of the recession. We ought to relieve that anxiety to the greatest extent possible.

It gives me a chance to say what Senator KYL said just before I took the floor; that is, that we have an opportunity on this economic stimulative package to make sure that the estate tax provisions of the bill the President signed last June be made permanent.

I am going to yield the floor at this point. I thank my colleagues for their attention to some provisions of an old story—the tax bill of last year, a tax bill that is going to have beneficial impacts well into the future but, most importantly, has some impact right now as we are in a time of recession.

The PRESIDING OFFICER (Mrs. CLINTON). The Senator from Vermont.

Mr. LEAHY. Madam President, I ask unanimous consent to speak as in morning business.

The PRESIDING OFFICER. The Senate is in morning business.

Mr. LEAHY. I thank the Chair.

NEW YORK

Mr. LEAHY. Madam President, I compliment the distinguished Presiding Officer, and her distinguished colleague, Senator SCHUMER, for not only the State of New York but for the City of New York.

I had the privilege of attending the economic summit in New York City this weekend. I saw the distinguished Presiding Officer on several occasions. In fact, I was beginning to think that somehow she had been cloned because she was attending and speaking and was involved in so many different events.

I know the economic summit came to New York City as a gesture of solidarity with the city after the terrible events of last fall. They came there knowing that not only would they bring people from around the world as well as from our own country, but they would bring the press from around the world to show the world that New York City is open, and New York City is in a position to handle, as it always has, any group of any size for any purpose. I want to say that New York City did.

I was extraordinarily impressed with the level of everything from communications, certainly to law enforce-

ment—New York's finest was there—to the continuing work at ground zero. My wife and I and our daughter visited to see again the work that continues by these brave men and women from the New York Fire Department, who are still working there. The police department is still working there, and other agencies as well as volunteers.

I was gratified to see while we were there a number of foreign visitors going to ground zero. Anybody has to be moved just reading the notes that have been left there by family members. While we were there, foreign delegations were laying wreaths and paying homage.

The point, though, is that New York City reflects, really, what is best in America. We have seen a major city of commerce, of education, of entertainment, and of history badly damaged that came right back, and was able to demonstrate that to the rest of the world.

As one coming from the State of Vermont, I sometimes hear regional accents at their best when I go to New York City. I am sure that New Yorkers feel the same way when they come to Vermont. But the accent I heard was one of hope, of excitement, of all the best things that are reflected by that city.

I commend not only the two Senators, my two friends from New York, but everybody—from the mayor to the Governor, and everyone who has worked so hard on this. New York City is open for business, as it was for some members of the Leahy family. It was a pleasure to be there.

ON THE CONFIRMATION OF JUDGE PHILIP MARTINEZ

Mr. LEAHY. I commend the Majority Leader and our Assistant Majority Leader for bringing the confirmation of Judge Martinez of Texas to a successful conclusion today. I also want to thank Senator DURBIN for having chaired the hearing in December that laid the groundwork for the confirmation of Judge Martinez and four other federal judges.

At the Committee meeting at which we considered the nomination of Judge Martinez, I inserted in the RECORD a letter I had recently received from Congressman SILVESTRE REYES of Texas strongly endorsing him. Congressman REYES noted that the court to which Judge Martinez is nominated is facing a criminal caseload of over 2,000 cases with a single active judge in the El Paso region personally trying to manage over 1,100 criminal cases. I say to Congressman REYES and Judge Briones, help should be on the way very soon in the person of Judge Martinez.

It was not so long ago, when the Senate was under Republican control, that it took 943 days to confirm Judge Hilda Tagle to the United States District Court for the Southern District of Texas. She was first nominated in August 1995, but not confirmed until