

I strongly opposed before I was here and I strongly oppose now the complete repeal of the estate tax. Those Americans who have done well and have had the benefit of the American promise in its greatest format I think have a responsibility to give some contribution back to the country that gave them the opportunity to do so well. We are all a part of that community. It seems reasonable that an estate tax fits within that concept.

We can talk about the rates and about some elements of it, but it seems to me there is reason to believe those who have benefited so much have a responsibility to their community and society. Furthermore, it is a gift from one generation to the next, and if we are going to be consistent in how we treat various parts of our Tax Code, gifts are taxable and so, too, should be estates.

That is not the issue today. The issue is: Is this stimulative to the economy? Is it something that makes any sense in the short term to get America's economy moving again?

For the life of me, I just do not understand it. Whatever one might think, there is just no credible argument that would show it is going to do anything to stimulate the economy today.

So I firmly want to speak out against this particular amendment because we have limited resources in this country. We have a fiscal structure that is very dangerous with regard to our needs not only in this decade but certainly in succeeding decades when the estate tax will really have a bite, as opposed to in the short run coming in, in a 10-year time frame. We have a demographic bubble that is going to change the underlying demands on Social Security. The number of people drawing it down will bankrupt it, or at least the resources will not be available to pay the benefits at a time many folks would expect them to come forward with their Social Security payments.

To complicate that problem further by making permanent this estate tax repeal is difficult to understand, particularly since it is implausible to believe anybody is going to change one whit their spending patterns today based on an estate tax repeal that is going to get implemented 10 years from now. So it is an amendment that I think has no place on a stimulus package or a stimulus bill that we might be working on today.

Again, I question whether we need a repeal under any circumstances for in fact it provides a huge windfall for a very small number of estates at the expense of the greater population. The estates of fewer than 48,000 people had to pay any tax at all in 1998. That is less than 2 percent of all estates. The beneficiaries of that estate tax, those burdened with that estate tax, are some of the wealthiest folks in America.

I think it is fine to be wealthy, but the fact is we have great needs in this country. We are making choices about whether we are going to fund an addi-

tional 2 million new teachers so we can lower class sizes in this country. We have a Social Security system that everyone says is going to be stretched to meet its needs as we go through the 21st century. We have great demands on our homeland security, on national security. It does not make sense that we should be putting this in place right now.

Also, it is dangerous for something that is really important to all Americans, and that is our charitable and philanthropic efforts in this country. It is hard to imagine what kind of impact the repeal of the estate tax is going to have on so much of the roughly \$6 billion worth of charitable contributions the Treasury Department estimates we would be receiving. I am concerned about our ability to continue to make sure we have the community-based support that is operated through our philanthropic efforts. If we have ever seen the value of that, we have seen it in the days that have followed the September 11 tragedy as Americans have reached out to help others. Certainly that has been benefited by the view that charitable contributions and estates provide a basis for a lot of the charitable giving.

So while this permanent repeal of the estate tax may cost \$55 billion in 2011, and that is a lot of money, I think the real issue is we ought to worry about what it is going to cost in the second decade. I have an estimate that it may be over \$800 billion in the second decade from 2012 to 2021. I find it hard to believe we want to take that bet at this point in time, when we have such a serious issue coming with baby boomers and the demographics that I spoke about before, and the real need to protect and provide security to Social Security and Medicare for our seniors. I guess that is before we have a prescription drug benefit for seniors and other things we have talked about.

I do not have a clue how we could put this together and call this significant stimulus. I think there are fundamental reasons to believe that it is not a good policy in the long run. So I strongly urge my colleagues to oppose the amendment. I think there will be reason for further debate about this as we go forward in the future.

KENNEDY PROPOSAL TO REPEAL LAST YEAR'S TAX CUTS

Mr. GRASSLEY. Mr. President, I would like to address a proposal by the Democrat leadership to repeal the future individual income tax reductions enacted in last year's historic tax cut bill.

At this time last year, the CBO reported that, as a percentage of GDP, Federal taxes took 20.6 percent of GDP, a record post World War II level.

Individual income taxes were at even more dramatic levels. CBO reported individual income taxes were at 10.2 percent of GDP.

Even after last year's tax cut is fully in effect, however, the CBO estimates

that Federal taxes will still take between 19.2 percent and 19.9 percent of GDP over the next 10 years.

That is still way above historically average levels of Federal taxation. Just look at the chart behind me.

This chart shows total Federal tax receipts as a percentage of gross domestic product over that past 40 years, and it projects tax receipts over the next 10 years as a result of last year's tax cut.

As you can see, even after last year's tax cut, the level of taxation remains at historically high levels of GDP.

As this chart shows, tax receipts have fluctuated frequently since 1960, but have escalated significantly since 1993. They will remain at historically high levels for the next 10 years. Now look at the history on this chart.

The most shocking spike in tax receipts began in 1993. The CBO's January 2001 report to Congress shows that in 1992, total tax receipts were around 17.2 percent of GDP. Since that time, Federal receipts climbed rapidly.

By the year 2000, Federal receipts had exploded to an astronomical 20.6 percent of GDP.

The significance of this percentage can only be appreciated by historical comparison. In 1944, at the height of our buildup during World War II, taxes as a percentage of GDP were 20.9 percent—only ½ percent higher than they are today. By 1945, those taxes had dropped to 20.4 percent of GDP.

Even after last year's tax cut is fully phased in, taxes will still average around 19.4 percent over the next 10 years. As you can see from this chart, it is still higher than most of the levels over the past 40 years.

Taxes were higher during the years 1993 through 2000, which were attributable to the tax increases forced through by President Clinton in 1993.

Similarly, the increase in receipts from 1965 to 1969 was attributable to the Vietnam conflict. The runup in receipts from 1976 to 1981 was caused by "bracket creep," which occurs when inflation causes wages to increase, forcing people into ever higher rates brackets. We corrected that problem years ago.

So as you can see, while the Democrats rail against last year's tax cut, it was actually rather modest. When compared to the levels of taxation imposed over the last 40 years, we still remain at historically high levels of taxation even after last year's tax cut.

We hear now a great hue and cry from some on the other side of the aisle that last year's tax cut should be repealed. But I ask: Are high taxes the only way to balance our budget?

One of the most ardent advocates of repealing last year's tax cut is my good friend Senator KENNEDY. I have been pleased to work with Senator KENNEDY on many bipartisan proposals and look forward to continuing those efforts.

Senator KENNEDY is an important leader. Whenever he speaks, I pay close attention because he's a serious and effective legislator who often reflects the

heart and soul of the Democratic caucus.

Last year's tax cut legislation carried the support of over one-fourth of the Democratic caucus. Although the tax relief has been defined by its harshest critics in terms of its budget effects, it's important to look behind the numbers and consider what this legislation means to the American people.

Before I get to that point, however, I want to make clear that those of us who support bipartisan tax relief and accelerating reduction of the 27 percent rate do not agree with a fundamental premise of Senator KENNEDY's proposal.

Senator KENNEDY and the Democrat leadership are arguing that the budget effects of the bipartisan tax relief deny the Congress and the President the resources to tackle other domestic priorities such as a prescription drug benefit for Medicare, Social Security reform, and education reform. This argument, however, is based on a couple of critical assumptions with which I disagree.

The first assumption is that the tax relief measures beyond 2004 will have no effect on the growth of our economy.

So, for instance, bringing the top tax rate for successful small businesses to a level equal to that of America's largest corporations at 35 percent is assumed to have no effect on the economy. That assumption flies in the face of economic theory and more importantly, the anecdotal evidence I gathered from some small business folks in Iowa. From my vantage point, the best way to bolster Federal revenues is to put policies in place to grow the economy.

The second assumption is that the only way to approach Federal budget policy is to maintain record levels of Federal taxation on the American people. That view is reflected in the chart behind me.

Senator KENNEDY's proposal assumes even higher taxes are necessary to address all of our priorities. So in facing budget choices, Federal spending goes unchecked.

The assumption is there are no savings to be made on the spending side of the ledger. Implicit in this assumption is growth in both federal revenue and Federal spending as a share of our economy is a desirable objective.

To a certain extent, the proposal that Senator KENNEDY and the Democratic leadership have put forward is a reversal of their previous support for significant tax relief.

Last year, Senate Democrats proposed a tax cut of about \$1.26 trillion. That compares with a bipartisan tax cut that we enacted that came out at \$1.35 trillion.

Their proposal was only about 6.7 percent less than the cut that was enacted. To hear the Democratic budget people describe it, however, you would believe it was a 67 percent difference.

Keep in mind that 48 of 49 Democrats, including Senator KENNEDY, supported their alternative.

Now, I know that despite votes for long-term tax relief, many of the opponents of the bipartisan tax relief now think that we should keep the rebate and repeal the long-term tax relief.

Nothing could be worse for a slumping economy.

Do we really want to send a signal to workers, investors, and business people that their taxes are going to go up? Even if the Democrats are talking about a repeal that takes effect in 2005, higher taxes in the future are higher taxes.

If the Democrats believe that the only way to solve our budget problems is to raise taxes, instead of reducing spending, what will they do to make up the difference?

Let's start with the basis for the rebate. That is, the new 10 percent bracket. The revenue loss for this part of the package is \$421 billion over 10 years. It is the biggest tax cut in the bill, by the way. I can not believe or any other member of the Senate wants to dismantle that piece.

Where do we go next? The marginal tax rate cuts lose almost \$421 billion over 10 years. It appears some folks think 35 percent is too low a top rate. Well, guess what. As I alluded to above, repealing the marginal rate cuts hits small business, the biggest job generator in our economy, the hardest.

According to the Treasury Department, small business gets about 80 percent of the benefits of the cut in the marginal rates. Do we want to raise the tax rates of small businesses in a slumping economy? Does that make any sense?

Where do we go next? Do the opponents want to repeal the proposal to double the child tax credit? Or how about the refundable piece that helps 16 million kids and their families? That proposal loses \$172 billion over 10 years. Does the Democratic leadership really want to deny American families the increase in the child tax credit that kicks in, in 2005?

How about the death tax relief package? That package scores at \$138 billion over 10 years. Most of the revenue loss is attributable to increasing the exemption amount and dropping the rate to 45 percent on already taxed property. Is it unreasonable to provide additional relief from the death tax?

Let's take a look at the marriage penalty piece. It is the first marriage penalty relief we've delivered in over 30 years. This proposal scores at \$63 billion over 10 years. Again, I do not think many folks would want to raise taxes on folks because they decide to get married. Under Senator KENNEDY's proposal, most of the marriage tax relief would be eliminated.

Continuing on through the bipartisan tax relief package, let's take a look at the retirement security provisions. This package, which will help Americans save more for retirement, scores at \$50 billion over 10 years. With the aging of the baby boomers, does anyone really believe we should reduce incen-

tives for savings? Under Senator KENNEDY's proposal, workers who want to put an additional \$1,000 in an IRA or section 401(k) plan would lose that right beginning in 2005.

Finally, let's talk about education. The bipartisan tax relief package includes \$29 billion in tax incentives for higher education. In this era of rising higher education costs, should we gut tax benefits for families to send their kids off to college? Do the Democrats really want to cut back on these bipartisan investments in higher education?

Now, I have just gone through about \$1.3 trillion of tax relief. It sounds like a lot in abstraction, but it provides relief to every American who pays income tax. I would ask any of those who want to "adjust" or "restructure" the bipartisan tax relief, including the Democrat leadership, why would you cut the tax relief package?

I think the American people would like an answer to that question.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CORZINE). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

STATUS OF ECONOMIC STIMULUS

Mr. GRASSLEY. Mr. President, I think sometime tomorrow we are going to have some cloture votes. Who knows what happens after you are involved with cloture votes? I suppose it depends on how the cloture vote turns out. But it also depends somewhat on what the majority leader decides to do. I did not hear him this morning or this afternoon. It was suggested that if we don't get cloture, then we may go on to other legislation.

I want to speak procedurally, not so much on the substance of the underlying bill as I have done a couple of times this afternoon but about where we are and some of the irony of our being here; particularly, some of the irony about how some things are said and other things are done by the leaders who decide the agenda for the Senate. I will take a few minutes to talk about where we are on the economic stimulus bill before tomorrow's cloture vote.

The good news is that there is bipartisan recognition of the need to help unemployed workers with an extension of unemployment compensation. There is bipartisan agreement that recognizes the need to provide taxpayers with a payroll tax rebate so we are able to help stimulate consumer spending and create jobs. There is bipartisan recognition of the need to provide bonus depreciation. I suppose there are some others as well.

Kind of summing up in regard to that, there is kind of bipartisan agreement on the part of the Republicans for