

the things the administration does, and that is Grover Norquist. He has stated, I guess, what we are trying to practice: I hope the State goes bankrupt.

Well, some of my colleagues may hope that States go bankrupt. I do not think many of them do. The truth is, when States face problems, it is not just State officials who suffer. It is working families. It is kids on CHIPS, the Children's Health Insurance Program. It is Medicare beneficiaries. It is our hospitals. It is our roads. It is all that holds us together as a society.

I go full circle and come back. This is about values as well as about economic numbers: Who gets what and what is going to happen to the economy? I think we are missing it and missing it big time in understanding that for the benefit of a very few, we are actually walking away from helping those in whom I think many of us believe we ought to be investing.

I could go on and on about other elements, but I see the ranking member who has fought so hard for reasonable economic policies, Senator BAUCUS. He has talked about this as a yo-yo or shell game, whatever one wants to call it, with sunsets. We have made sunsets, which should be a beautiful thought in American minds, into something that is almost silly in the context of this particular package. The \$350 billion is really \$800 billion to \$1 trillion. I am sure those who have proposed this think this is a program that is going to stay on the books. If we are going to stay with this program, including even some of the middle-class income tax breaks on marriage penalty, child tax credits and other things, this will amount to \$800 billion to \$1 trillion.

This is bad fiction. This is not even a fair representation of the reality of the cost. So not only is it bad economic policy, I think it also challenges the basic values that we should be representing in the Senate. It is not even truthful.

Some could argue that it is Enron-like accounting. I think it is not the right way to deal with the American people to say we have a \$350 billion tax cut when we really have a \$1 trillion tax cut, at best. It may be a little less, may be a little more, depending on how things work out.

This is going to bring on a new age in tax shelters, a new opportunity that people are going to be working on. They are probably working on it right now on Wall Street. The differential between earned income and dividend and capital gains income creates an enormous bonanza of opportunity for the creative mind to translate current earnings, wage earnings, into capital gains.

There will be more midnight oil burned in the next 3 months figuring out tax shelter strategies than we have ever been able to imagine. From what I understand—again I have not seen the detail of it—we took out all of the closing of loopholes that were a positive part of the Senate bill. I find some of

the values that we are reflecting there an enormously disturbing element from what I understand about this conference report.

The saying is, fool me once, shame on you. Fool me twice, shame on me. I think that is what we are doing with this proposal. I do not think it does what it says it is going to do about growing the economy. I do not think it reflects our values. I sure do not think the American people are getting a tax break. What they are getting is a debt tax laid on them that is going to overwhelm any of the benefits. In the long run, we threaten ourselves and our ability to invest in education, invest in Social Security.

I do not get it. I think it is a bad thing to do. I hope my colleagues will have a good night's sleep, think a little bit about how some of this works, come back and be honest with the American people, rid ourselves of some of these gimmickries, and get on with an effective fiscal policy and economic policy that really does work for working families.

I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. 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.

Mr. GRASSLEY. Mr. President, the order is what?

The PRESIDING OFFICER (Mr. TALENT). We are in morning business.

JOBS AND GROWTH PACKAGE

Mr. GRASSLEY. Mr. President, I use morning business as a forum to discuss some of the issues that are going to be coming up tonight and tomorrow morning before we vote on the tax bill conference, the jobs bill, the growth package—whatever you want to call it. I take my opportunity to speak to the conference report that was agreed to this afternoon.

There has been a great deal of hard work that has taken place in the last few days to bring the reconciliation conference agreement to completion. I thank all of my colleagues and the House for their hard work and their cooperation in meeting our goal of getting a jobs and growth bill to the President by this Memorial Day recess.

We all agree the economy needs a shot in the arm. Although our economy is growing, it is not growing fast enough to create jobs. The difference is it has been growing for about a year and a half at 2 percent, roughly. We do not create jobs at 2 percent even though the economy is growing. It takes growth of about 3 to 3.5 percent to create jobs. We believe this bill will bring about the proper growth.

Some estimates, some versions of the growth package, although not nec-

essarily this compromise before the Senate, is that it will create 1.4 million new jobs. A major cause of the sluggish economy is the bursting of the stock market bubble created in the 1990s. This bill will address the ailing stock market. It will help create jobs. It will grow the economy. It will put money back into the hands of families, consumers, investors, and businesses that will help fuel our economic engines that create those jobs that we hope will be created from this legislation.

It is often said that various bills before the Congress might be historic in nature, and I don't want to overplay this one, but I do want to use the term about this being an historic agreement in this sense: It will amount to the third largest tax cut in history. President Bush should be highly praised for initiating two out of the last three largest tax relief packages passed by the Congress in that period of time.

The packages before the Senate abide by the budget agreement of the Senate side limiting the overall number to \$350 billion. It includes the speeding up of all rate reductions, as well as the House's innovative version of the President's dividend proposal that will not only reduce dividend tax but also reduce the capital gains rate, as well.

Capital gains and dividends will be taxed when this bill becomes law at 15 percent and 5 percent depending upon the level of income. The 5 percent eventually will be phased down to reach zero level of taxation in the year 2008.

This happens to be the lowest level of capital gains tax since 1934. Dividends will also be taxed at historic lows, and those figures would be the same rates of taxation as apply to capital gains.

We also included in this package an expenditure of \$20 billion in aid to States that was in the Senate bill, which I know my fellow Senate colleagues, including Senator Rockefeller, who was a conferee, will appreciate.

In addition, the bill includes further child tax credit and marriage penalty relief. Some may argue that we did not do enough regarding the two problems. This bill will greatly improve current law. If Senators vote for this measure, they are voting to put approximately an extra \$1,000 in the pockets of a family of four if that family has two children. They are going to do this for the next couple of years compared to current law. That is going to be retroactive to January 1 of this year, and it would presume a rebate of \$400 per child back to any family who reported children on their income tax. That check should be in the mail later this summer or very early in the fall. So a family with two children would get an \$800 rebate check from the Federal Treasury later this year.

As chairman of the Finance Committee, I certainly intend to continue and enhance improvements in marriage penalty and child tax credit in the coming years. In other words, we should get to that goal of continuing

the \$1,000 credit as permanent legislation, not as temporary legislation. We should resume our goal of eliminating the paper right now rather than down the road a few years when it is slated to be phased out.

I happen to be very disappointed about an aspect of the conference report I and a lot of other people from rural States worked on, to bring some equity in Medicare reimbursement to our respective rural States. My amendment had 86 votes in the Senate. We addressed the Medicare rural equity. This is what was not included in the final agreement.

Here is where the House comes from. They did not have a similar provision in their bill. They argued in the other body that this tax relief bill and the Medicare issues should be addressed in the Medicare legislation coming up for consideration in just 2 weeks. What I heard was this is a tax bill, not a Medicare bill, and why can't this wait an additional 2 weeks and take it up in an environment very closely related to the subject of Medicare reimbursement and not isolate it in a tax bill.

My answer to that is, I know this bill before the Senate will be signed by the President. I hope later on this summer or early fall we have a Medicare prescription drug bill for the President to sign. But, obviously, I am not as sure of that as I am of this bill going to the President. There are obviously a lot of things about the reimbursement of Medicare for our health care providers in rural America that are very unequal to that of urban areas.

On this very issue of Medicare rural equity, President Bush weighed in strongly supporting my efforts in the context of the Medicare bill, and this is a continuation of things that he spoke about at two or three different events over a period of months in Iowa just in the last year. It is a continuation of discussions I have had with the President on this very same subject during the month of December, last year, and the month of April, this year, when I had very private meetings with the President on the subject of Medicare.

Given the President's strong endorsement of my proposal, and the strong support in the Congress evidenced by the 86 votes in the Senate, and the fact we will be considering Medicare very soon, and also Chairman Thomas's willingness to consider these issues, I am encouraged we will succeed before the end of summer.

I ask unanimous consent to print a copy of the President's letter in the RECORD, wherein the President speaks about support for my efforts.

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

THE WHITE HOUSE,
Washington, May 22, 2003.

Senator CHARLES GRASSLEY,
Committee on Finance,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN GRASSLEY, I want to congratulate you on Senate passage of the jobs and growth bill, and also on the passage of

your amendment to that bill which increased federal assistance to rural providers through the Medicare program.

When we met in the Oval Office in early April, we discussed our concerns that rural Medicare providers need additional help, and we committed to addressing their problems. We agreed on the need to address issues faced by rural hospitals, skilled nursing facilities, home health agencies, and physicians.

You demonstrated your commitment by passing your amendment last week with tremendous bipartisan support, and by pushing hard for it in the conference negotiations on the jobs and growth bill.

I will support the increased Medicare funding for rural providers contained in your amendment as a part of a bill that implements our shared goal for Medicare reform.

Sincerely,

GEORGE W. BUSH.

Mr. GRASSLEY. Mr. President, some are going to say during this debate on this reconciliation compromise tax relief for working men and women that we cannot afford to give money back to the American people. You get the impression from people who say that this is the Government's money and not the people's money. It is the people's money that comes to Washington. We spend it for them—a lot of times not as they would. But it is never the Government's money. No government creates wealth. Only working men and women, either through their labor or the use of their genius and using that in a productive manner, is what creates wealth in America.

It is not right to assume in this body or any other legislative body that the resources of the American people belong to Government and we let them keep some of their own resources to use as they want, but it all belongs to us. This attitude is that we in Government are smarter and know better than other people how to spend other people's money.

This bill before us underscores the President's, and the majority's, belief that this is the people's money first. The people will spend and invest their money in more productive ways than government ever will. This bill reinforces that philosophy. I commend the President for his leadership, his perseverance, and his ability to get things done.

I am still going to speak on the issue of the conference committee report before us, but I want to concentrate now for just a few minutes on the accuracy and intellectual honesty in the debate over our bipartisan tax relief package. This mostly would address who benefits and who does not benefit. Too many people on the other side of the aisle want you to believe this legislation only benefits the wealthy or high-income people of America. In fact, what this bill is about is not worrying just about income, but it is an effort through what we do on capital gains and what we do on dividend taxation to encourage the creation of wealth.

We are not starting from ground zero here in the creation of wealth. This was started by the people themselves over the last now maybe a couple of

decades. Because just 20 years ago, maybe less than that, about 12 percent of the people in the country had money invested in the stock market or had pensions and 401(k)s that were dependent upon the stock market. Today that is about 55 percent of the people in the country. So there is an expansion of instruments leading to the creation of wealth. There is a broader range of people in the United States now, compared to 10 years ago, or let's say 20 years ago, who have an interest in the stock market. So I want to discuss the importance of the accuracy of the data in the debate over the bipartisan tax relief package before us.

In this and all tax policy debates, it is very important to have accurate data and to debate the issues in an intellectually honest manner. Involved is the key question of whether a tax relief package is fair. In evaluating fairness, we frequently look at whether a proposal retains or improves the progressivity of our tax system.

We have critics of President Bush's growth plan who attempt to use what we call distribution tables to show that a certain proposal—in this case President Bush's proposal—disproportionately benefits upper-income taxpayers. Let me say flat out this is factually inaccurate. But more importantly, it misses the point of this legislation for several reasons I want to present to my colleagues.

Make no bones about it, this is not a tax relief package for the sole purpose of just giving more money back to the taxpayers. It is for the purpose of doing that with the end result that it will lead to the creation of jobs and it will cause our economy to grow, which is necessary to create jobs. As such, the proposal attempts to promote investment incentives so that companies will purchase capital and labor. Although the package is balanced between consumption and investment, it is the investment-side incentive that will result in long-term economic growth.

What we are trying to do is enhance the capital-to-labor ratio. When there is a surplus of capital, that is when labor benefits. When there isn't capital to invest, there is a surplus of labor and consequently labor cannot advance up the economic ladder the way we want all Americans to be able to do. But when you bring in a surplus of capital that is invested, there is an increase in demand for labor. When there is an increase in the demand for labor, wages and benefits go up for working men and women. This bill is all about increasing—or at least a good part of it; some of it is oriented toward consumer spending, but a good part of this is oriented towards encouragement for capital and enhancing that capital-to-labor relationship.

Those who criticize this plan for benefiting wealthy taxpayers assume the rich stay rich and the poor stay poor through a lifetime. It is almost "born rich, you are always rich; born poor, you are always poor." That is not

America. America is all about economic mobility, the dynamics of the free marketplace. That gives people opportunity to improve themselves and that is what America is all about.

Recent studies, including one produced by the National Center for Policy Analysis, indicate this is untrue, that the rich are always rich and the poor are always poor. The study measures income mobility by breaking same-age workers into five income levels and monitoring their movement between the income quintiles over a period of 15 years. The study shows there is considerable economic mobility in America and that large numbers of people move up and down the economic ladder in relatively short periods of time.

Moreover, in recent years, earnings mobility has in fact increased. The study demonstrates that within a single 1-year timeframe, one-third of the workers in the bottom quintile moved up and, in fact, one-fourth of the workers in the top 20 percent of our population moved down. One-half of the remaining labor force changed quintiles within that year, and 60 percent of the workers are upward mobile within 10 years.

The University of Michigan study also concluded that taxpayers tend to move between income groups during their lifetime. It is quite obvious how much sense this makes. It makes a lot of sense.

Taxpayers are likely to be lower income earners early and late in life, but are likely to be higher income earners during their midpoints of life.

My colleagues, just think of your own lifetime starting out in your first job out of high school or your first job out of college. Hasn't there been a great deal of movement during your lifetime, both up and down? We hope most of it is up. But for some, it is down. What allows these people to escape the lowest-income quintile and start earning more money is a college education and acquiring necessary skills on the job.

Interestingly, anecdotal evidence shows that 80 percent of the individuals in the *Forbe's* 400 list were self-made as opposed to those who inherited fortunes. Again, this underlies the importance of taking advantage of educational opportunities. Education allowed these people to overcome differences in income, increase their chances to escape low-wage jobs, and determine the success of their future earnings.

These findings are backed by a third study produced by the Financial Services Roundtable by the same organization I have been quoting, the NCPA. This study confirms that there is substantial economic mobility between generations. Almost 60 percent of the sons whose parents' incomes were in the bottom 20 percent are in higher income groups. Thirty-one percent have incomes in the top 60 percent.

Therefore, whoever is saying that once rich, Americans always stay rich

and once poor, they always stay poor are purely mistaken.

I welcome this data on this important matter for one simple reason. It sheds light on what America really is all about. We are a nation of vast opportunities. We are a nation of tremendous economic mobility by people from all over the world. Our country truly provides unique opportunities for everyone. These opportunities include better education, health care services, financial security but, most importantly, our country provides people with freedom to obtain necessary skills to climb the economic ladder and to live better lives.

We are a free nation. We are a mobile nation. We are a nation of hard-working, innovative, skilled, and resilient people who like to take risks when necessary in order to succeed.

We have an obligation as lawmakers to incorporate these fundamental principles into our tax system, and this bill succeeds in doing that.

If I could, I would like to continue on an item that was in the Senate bill more specifically than I have spoken about the bill in the past. I want to speak about a provision that was, in fact, dropped in conference. It was very important to ZELL MILLER, the Senator from Georgia.

On a preliminary point, I express my appreciation to Senator MILLER for his support of the President's package. It has not been easy for a person from the other side of the aisle to be so consistent in their support. But he has been a fearless man with the Marine courage and conviction that is in his background.

Senator MILLER discussed a proposal regarding CEOs to sign a corporate tax return. This measure has been in the tax shelter curtailment proposal passed by the Senate Finance Committee. I support the proposal.

I share Senator MILLER's common-sense view of this proposal. As does Senator MILLER, I think CEOs ought to be accountable on their companies tax returns just as individuals are. Unfortunately, I was not able to secure Senator MILLER's position in conference. I faced two barriers. One was a potential procedural problem. The other, the opposition of the House to any proposals that raised revenue.

Despite my effort, I was not able to deliver this provision back to the Senate for Senator MILLER. But I would like to make clear to downtown lobbyists and to corporate America that Senator MILLER and I will be back on this very important provision.

Chairman Thomas and his staff know the importance of this issue to Senator MILLER and to me. I have let them know that we will be back at it in legislation that has passed the Senate called the CARE Act—that is a charitable giving act—or if we don't do it there, we will do it in other tax legislation this year.

At a later point in this debate, Senator MILLER and I may engage in a col-

loquy on this very important subject to all of us; but very important for Senator MILLER because of his instigation of it, the CEO signature provision.

I yield the floor.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I wish to make a few comments regarding the bill.

First, I compliment the chairman of the Finance Committee for his leadership. Passing a budget has not been an easy process. If we had not passed a budget, we wouldn't be passing a tax bill.

Senator GRASSLEY was a very strong supporter of us getting a budget. He showed great courage in doing that. Some people criticized him for it. I take issue with that. Senator GRASSLEY, in bringing to the floor the tax provision reconciliation bill that we are going to be voting on tomorrow, frankly, made a commitment, as any chairman would, that he didn't want to bring a bill back to the floor of the Senate that wouldn't have the necessary votes to pass. He is exactly right. He, as I, count votes.

We are passing the biggest, best growth package we could get through the Senate. Both of us would like for it to be more. We met with our colleagues in the House. They would like for it to be more. The President would like for it to be more. This is the best we can do with the votes we have. With the package, I think we have done a good job, which we have, in loading up front, doing the best job we can to create jobs and create growth in our economy.

I compliment Senator GRASSLEY because if he hasn't shown leadership, we wouldn't have a budget and we wouldn't be voting on a tax bill. Tomorrow, we will be passing one of the best that this Congress has passed—maybe not just this Congress but in a long time.

I wish to talk about some of the provisions that are in the tax bill.

Senator GRASSLEY complimented Senator MILLER. Senator MILLER and I introduced the President's tax bill several months ago. It was \$696 billion. The tax bill we are voting on tomorrow, most people say, is \$350 billion. Actually, the tax portion of it is significantly less than that. It is closer to \$315 billion.

Somebody might ask, What is the difference? There are outlays. We had to pay for the outlays. When we passed this bill in the Senate, we passed \$430 billion worth of tax cuts. We had some offsets, user fees, and other things that were extended to make the bill come out at a net of \$350 billion, which was consistent with the budget resolution.

Now, let me just make a couple other comments.

I have heard some of our colleagues say that \$350 billion is outlandish, such a large tax cut. It is \$350 billion over 10 years when the total revenue to be received by the Federal Government will

probably be \$25, \$26, maybe \$27 trillion, so it is really a very small percent, maybe 1.3 percent or thereabouts. Granted, we loaded more of it upfront so it is a greater percentage the first couple of years. We did that because we wanted to have more positive impact on the economy. We want to grow the economy. We want to create jobs.

The economy is very soft, some people would say very stagnant. It is not growing to near the potential we want it to be. We have lost a lot of jobs, so we want to do some things, and we believe we can do some things, in the Tax Code that will create an environment that will be a lot more conducive to creating jobs.

I have been in the Senate a long time. I have seen us pass tax bills that encouraged growth, and I have seen us pass tax bills that, frankly, discouraged growth. I might touch on those just for a minute.

But I remember, in 1997—frankly, the Clinton administration was not in favor of it at the time—I remember negotiating this provision reducing the capital gains rate from 28 percent to 20 percent. President Clinton eventually signed the bill. By doing that, we created a lot of jobs. That created a lot of economic activity. That was a positive thing to do. That generated revenue. That helped our economy. That is just an example.

If you go back a little further in history, when Ronald Reagan came into office, in 1981, the maximum tax rate was 70 percent. When he left, 8 years later, it was 28 percent, and we had one of the longest periods of economic growth in our Nation's history and created millions of jobs. Phenomenal. Incidentally, the Government revenues increased substantially over that period of time.

Well, what are we doing in the tax bill today that will help this economy of ours grow? There are several provisions in it. I look at this bill, and I am amazed we were able to do as much as we did. I compliment our friends and colleagues in the House. We worked together, and we fashioned a pretty good bill.

I will also say, it is not perfect, and it is not exactly what I would have written, but we make compromises to pass legislation in legislative bodies. I think the Senate reported out a good bill. I am proud of the bill we reported out on the floor of the Senate just last week. We have compromised with the House. I will touch on several of these provisions.

Both the House and the Senate accelerated the rate reductions we passed in 2001. What does that mean? It means somebody who was paying the maximum rate of 38.5 percent will be paying 35 percent. It just so happens 35 percent is the same rate that General Electric pays, corporations pay. Why should individuals—many of them have their own business—why should they be paying personal rates higher than the largest corporations in America? So that was a positive stop.

I have heard some of our colleagues say: Wait a minute, these are tax cuts for the wealthy and the rich, and so on. For the wealthy, the maximum tax rate was 39.6 percent. We passed that in 2001. To date, it has only been reduced 1 percentage point, from 39.6 percent to 38.6 percent.

Now, we will finally get it to 35 percent, the same rate as corporations. People who were paying 35 percent will pay 33 percent; people who were paying 30 percent will pay 28 percent; people who were paying 27 percent will pay 25 percent; and a lot of the people who were paying 15 percent, when we passed the bill in 2001, will have a rate reduction to 10 percent. So they got the entire rate reduction in 2001 retroactive. I just mention those facts so people will be aware of them.

We put in a provision to allow small business expensing. We raised that from \$25,000 to \$100,000. I used to own and operate a small business. This will help a lot of small businesses. We had that in the Senate bill. The House had it in their bill. That sunsets after a couple years.

Bonus depreciation was not in the Senate bill. It was in the House bill. I compliment the House. That increased the bonus depreciation segment we had in the 2001 tax bill from 30 percent to 50 percent through the end of next year. This will encourage all corporations, large and small, to make more significant investment. When they make significant investment, they will be able to recoup half that investment over a much shorter period of time.

We also did something that dealt with dividends and capital gains. The bill that passed the Senate was basically a 100-percent exemption for dividends for 4 years. Some people say: Wait a minute, it was only 50 percent the first year. That was for 2003 that we passed in the Senate. Frankly, we are halfway through 2003, so I am looking at this, and at least from this point on it would have been a total elimination of double taxation on dividends for the remainder of 2003, 2004, 2005, and 2006. I thought that was superior to the House provision that said: Let's tax dividends at 15 percent.

What came out of conference was the House provision. Again, we make compromises. The House provision has a lot of merits. It says: Let's tax capital gains and dividends at 15 percent. Well, for capital gains, that are presently taxed at 20 percent, to go to 15 percent is a 25-percent reduction. That is pretty significant.

I mentioned earlier in my statement, when we reduced capital gains from 28 percent to 20 percent, we reduced the tax on financial transactions, and we turned over a lot more transactions. That had a very positive impact on the economy. I expect we will have a positive impact on the economy by reducing the rate on capital gains again. And I think there is a lot of merit in saying we should have the tax on dividends be the same as the tax on capital

gains. That was the House provision. That is a 15-percent rate. That is maybe a little more than a 50-percent exclusion.

Now, if you looked at the chart—I do not have the chart with me today—we tax dividends higher than any other country in the world. If we want to create a climate that is going to be productive for investment, we should not tax the proceeds or profits from those investments higher than anybody else in the world. We consider ourselves the "free enterprise mecca" of the world, but yet we tax the distribution of those profits higher than anybody. We are basically tied with Japan for taxing corporate dividends higher than anybody. We tax them higher than Great Britain, we tax them higher than France, and we tax them higher than Germany. It makes no sense.

Well, this is going to be a big step toward probably putting us about in the middle range of countries as far as taxation is concerned. It still has double taxation. I still would much prefer the Senate provision. We did not prevail in conference. Again, it's the art of compromise.

This is a giant step forward. If you asked me 3 months ago, could you get a 50-percent exclusion, I probably would have said: Let's take it. That is a giant step forward.

Let me just give a couple of personal examples on corporate dividends.

I think a lot of people have tried to construe this as only benefiting the wealthy, and so on. That is hogwash. That is absolute hogwash. Over half of Americans today have some ownership of stock. Maybe they own it. Maybe they don't own the shares in their name, but they are participants in a retirement plan. Maybe they are in a teachers retirement plan. Maybe they are in a retirement plan for firemen. Maybe they are in a Teamsters retirement plan. Maybe they are in a civil service Federal employees retirement plan. Maybe they have a portion—maybe all, maybe some—of their retirement based in stocks. A lot of those stocks pay dividends. This is going to help the value of their account. This will cause the market to go up.

The stock market has been on a significant decline for the last 3 years. Some people want to say: Well, that was President Bush's recession. I hate to remind them, but the stock market collapse or decline—rapid decline—started in March of 2000. The Nasdaq fell by 50 percent between March of 2000 and the end of 2000. So we have seen a precipitous decline in the stock market.

I believe the proposal we have before us—certainly the one that passed the Senate, and I also believe the one that we will be passing tomorrow—will help the stock market. It will be positive because we are not going to tax the proceeds or distributions from gains in an investment so high. We are basically going to cut the tax rate on those investments in half. That is a positive, giant step forward.

So I again compliment our colleagues. I think we are doing something that will encourage investment, not discourage it.

Let me give you another example. I used to run a corporation. A corporation makes money. It wants to distribute some of the proceeds or profits of that money to their stockholders. In doing so, let's just say the figure is \$100,000. If they do so today, they have to pay corporate tax on it. That is \$35,000. Then they have \$65,000 left to give to their stockholders. They give the \$65,000 to the stockholders and—guess what—they are taxed today, and they might be taxed at 38 percent, they might be taxed at 30 percent. Regardless, you add the two rates together and they are taxed at about 65 percent, in some cases 70 percent, in some cases more than 70 percent. So out of that \$100,000, the Government is getting about \$60,000, and the owner of the corporation is getting about \$30,000.

That is not a good deal. That is not a prudent investment. As a matter of fact, as a result of that, anybody who is managing a corporation says: wait a minute, let's not give money to the owners through dividends. Let's do it in the form of bonuses or through other means. And you come up with a lot of schemes—some are very legitimate; some are not so legitimate—to avoid this enormous Government take on the proceeds of distribution of gains from a corporation.

They should be taxed once. Once is enough. Thirty-five percent is enough. Again, our provision, which will hopefully pass tomorrow, is a giant step in the right direction. This provision cuts capital gains from 20 percent to 15 percent and, I might mention, from 8 percent to 5 percent for lower income taxpayers. Again, this is a 25-percent reduction, and it eliminates the long-term/short-term capital gains. If you want income tax in capital gains simplification, we do it. Right now you have long-term and short term capital gains. Anybody who has an investment in anything, they have to keep track: How long did you own this? Does it qualify for a 20-percent or 18-percent rate? We are saying we will not do that. The rate for capital gains is 15 percent, and it has to be the same rate on dividends.

There is another advantage to this. If somebody who has a portfolio invests today, the present Tax Code says, let's make a lot of investments in growth stocks because they pay capital gains, and the tax rate on capital gains is 20 or 18 percent. That is about half of the present rate on dividends, on ordinary income tax. That is the present law. A lot of people, because of the Tax Code, were encouraged to go to more growth-oriented stocks, i.e., stocks that don't pay dividends, to make their investments. Many of those stocks are a lot more volatile, a lot riskier, a lot more subject to variations in prices. Again, having a policy that at least taxes dividend distribution and capital gains on

an equal basis will take the bias out that presently exists for growth stocks as compared to dividends or more oriented stocks that pay dividends. That is good. That will change corporate behavior, and that is good.

So when you add all these things together, we have done some things for families. Somebody says, this is just going to benefit corporations and small businesses. That is not correct. We have done something for families. Individuals and married couples who have kids are going to get a \$1,000-per-child tax credit. Present law is \$600. That is a \$400 increase. If you have four kids, that is an increase of \$1,600. I have four children. My kids are a little old so they don't qualify, but this will help families all across America. That is \$1,000 per child that they don't have to pay in taxes. Frankly, most families need that extra money to raise their kids. So it is family friendly.

We did something on marriage penalty. We doubled, basically, the 15-percent bracket for couples. Let me give an example. It is kind of wonkish. People move from a 15-percent bracket in present law to a 27-percent bracket. I think now it is \$28,000. So if they have taxable income above \$28,000, they move from a 15-percent bracket to a 27-percent bracket. That bracket is almost twice as high. So what is the bracket for couples? If you look at couples, under our provision we say we should double the individual bracket for couples. So if the break line of going from 15 percent to 27 percent under current law is \$28,000, we say it should be \$56,000 for a couple. Right now it is 40-some thousand. The difference of that is about \$1,200.

Let me make sure people understand that. If you have a married couple who has a combined taxable income of \$56,000, their savings under this provision is \$1,200. If they have two kids, that is an additional savings of \$800. That is over \$2,000 that a family of four with income of \$56,000 will save. That is significant. That is family friendly. That eliminates the marriage penalty for those couples.

Again, we have some positive measures in this bill, positive for families, positive for companies, positive to grow the economy, incentives for people to hire, for people, frankly, to make investments because they can recoup them earlier. Instead of amortizing over 10 years, they might be able to amortize them immediately or maybe half in the first year. Those are significant, positive changes.

We will eliminate at least partially this very high rate of double taxation in current law for corporate distribution.

Both the House and the Senate have done some good work. I compliment Senator GRASSLEY for his leadership. It has not been easy. It has not been easy through the budget or tax process. When we marked up this tax bill last week, we had, I believe, 33 or 34 amendments. I believe the majority of those

amendments were decided by one vote. Senator GRASSLEY is to be complimented for his leadership. This tax bill, unlike many, is 43 pages. We have seen tax bills before that are hundreds of pages.

So this is simple. It is clean. It does not have a lot of Members' add-ons that touch on one page and deal with rewriting the Tax Code. This is simplified. We make it much simpler on capital gains. We will tax capital gains and dividends at the same rate. It is simplified because we will accelerate the rate cuts already in the tax law so somebody won't defer income from one year to the next year so there will be a lower tax rate. It is simplified because we will allow small business to be able to expense items in some cases 100 percent of the cost of the item up to \$100,000, so they don't have to amortize it over years.

There are a lot of positive things in here that will help the economy, help American families, and create a much better environment both for investment and creating jobs.

I thank my colleagues, particularly Senator GRASSLEY and Senator MILLER, for their support and their hard work. The American taxpayer and the economy will be a lot better off by passing this legislation.

I yield the floor.

THE PRESIDING OFFICER. Who seeks recognition?

MR. NICKLES. I suggest the absence of a quorum.

THE PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

THE PRESIDING OFFICER (MR. ALEXANDER). Without objection, it is so ordered.

MR. FRIST. Mr. President, tonight we debate and tomorrow we act on legislation that will help set a course for a stronger national economy in the coming months. Next month, we will begin to address issues in the health care sector. We will look at ways to strengthen and improve Medicare. We will also begin the appropriations process, funding education, training, and other critically important programs that make contributions to our future economic growth. These issues and others are fundamental to the overall objective of maintaining stable, sustained economic growth that creates jobs and opportunities for all our citizens.

For today we must act on the conference agreement we worked so hard on throughout this week, the Jobs and Growth Tax Relief Reconciliation Act of 2003. This is legislation that justly deserves the expedited consideration it was given over the last month and the special procedures afforded it under the Budget Act.

It is, simply put, must-do legislation. The good things we enjoy as Americans

come, in large part, from the wealth of our vast human and natural resources. They come from a political and economic system that rewards hard work, rewards the entrepreneurial spirit, rewards personal initiative—all conducted within a framework of fair, just, and equitable laws of commerce.

History is replete with governments that have failed because of failed economies. Our responsibility as elected officials to do whatever is necessary to maintain economic growth is real not only for today but for future generations. I am concerned about our economy not only because of its current sluggishness in creating jobs but also because of the new risk—the risk of disinflation.

But you don't have to take my word. Recently, the Federal Open Market Committee decided to keep the target for the Federal funds rate at 1¼ percent, the lowest level in nearly 40 years. But more importantly, the committee concluded that:

The probability of an unwelcome substantial fall in inflation, though minor, exceeds that of a pickup in inflation from its already low level and the balance of risks . . . is weighted toward weakness over the foreseeable future.

I hope my colleagues are listening. The Fed is raising the specter of both continued economic weakness and disinflation—something that we have not experienced in this country. While the economy continued to grow in the first quarter of this year, although at a lackluster rate, it was not sufficient to generate enough demand to encourage businesses and employers to create new jobs. The result is that the unemployment rate has risen to 6 percent.

Now the Fed has added another concern. With insufficient growth, the economy lacks the momentum to stop inflation from falling further.

I continue to meet with economists and business groups to better understand the policies and programs that best address weak economic growth and a jobless recovery. Most all agree that economies are like ships—they cannot be turned around quickly. But while this economy doesn't need to be turned around, it is headed in the right direction. It just needs to pick up its pace. Indeed, that is what the jobs and growth package is all about.

In order to achieve growth sufficient to create jobs, to reduce unemployment, and to stem this potential disinflation phenomena, there must be a substantial injection of new demand into our economy, and it must be now. This is for the job security of the American people. We need to stoke the boilers on this ship. The tax bill before us represents an immediate opportunity to inject new demand in the economy, as much as \$60 billion immediately. Of the \$350 billion stimulus and growth provided in this conference agreement, 60 percent of that stimulus is provided this year and next.

Equally as important, this stimulus translates directly into money in the

pockets of American families. As an example, a married couple with two children and an income of \$40,000 will see their taxes decline this year nearly 96 percent—from \$1,978 to \$45.

The legislation provides for immediate and retroactive to the beginning of this year tax relief to millions of American families by increasing the tax credit for each child to \$1,000 each year. The legislation accelerates all the tax rates we enacted 2 years ago, providing in total nearly \$31 billion in tax relief this year, immediately. The legislation provides incentives for businesses by providing a 50-percent bonus depreciation for capital investments, up from 30 percent enacted last year—a powerful known stimulus to the economy.

The legislation will increase expensing for small businesses from \$25,000 today up to \$100,000. As we all know, these small businesses are the real engines of job creation and economic growth.

On the proposal to reduce taxes on dividends and capital gains, this, of course, has generated much discussion in this body and in the House of Representatives. While the Senate passed a different measure than what is in the underlying reconciliation tax bill, the compromise provides significant reduction in taxes on dividends immediately, a nearly 60-percent reduction, and makes reductions in capital gains tax rates to further stimulate investment and growth.

Finally, the legislation does address aid to our fiscally strapped States by providing over \$20 billion in direct fiscal relief immediately.

It is clear that we must act, and we must act quickly if we are to ensure that the economy continues on a course of stronger growth and job creation. I ask my colleagues to join me in doing our job.

The House has acted and now it is time for us to act. We must present to the President a strong job creation, anti-inflation economic growth bill. The American economy needs a boost. The American people need jobs, and that duty falls inescapably to us right here and now.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. TALENT. Mr. President, I am looking forward to voting for the jobs and growth package when it comes out of conference and reaches the Senate floor. One of the lessons of the last few years is that we cannot do anything that any of us want to do without prosperity. We cannot do education the way we would like; we cannot improve the quality of health care the way we want to; we cannot protect our Nation's borders the way we would like to; and we cannot provide for our defense the way we would like to without prosperity.

Prosperity means jobs. The way to get jobs, among other things, is to put more money into the hands of people who save, spend, and invest, and that

means tax relief. That is what the jobs and growth package is about.

It is not the only way, though, to increase jobs and create economic growth in our country. Another way to do that is by opening up markets abroad. One of the ways we do that is by getting our competitors to end tariffs, end the nontariff obstacles they have placed on importing our products.

For too long we have let the European Union get away with illegal, unwarranted, and protectionist trade policies regarding agricultural biotechnology. I strongly support the President and the administration in the case before the WTO against the European Union. I want to take a few moments to talk about that situation this evening.

For the past 5 years—half a decade—the European Union has effectively blocked our agricultural trade into Europe through their moratorium on the approval of new biotechnology products entering the European market.

Since its implementation in October 1998, the moratorium has blocked more than \$300 million annually in U.S. corn exports to the European Union countries. When you look at the total cost of the moratorium, our corn producers have lost \$1.5 billion in exports to the European Union.

This moratorium clearly violates WTO rules requiring measures regulating imports to be based on "sufficient scientific evidence" and mandating countries to operate regulatory approval procedures without "undue delay." And as far as sufficient scientific evidence is concerned, they have zero standing. Moreover, their policies are holding back products that hold tremendous promise for improving the food supply, advancing human health and preventing famine in the developing world.

The actions of the EU not only violate laws established by the WTO, but also, the EU is violating its own laws requiring science-based regulatory decisionmaking.

The EU policy decisions on biotechnology are being driven by people disdainful of science and its capacity for solving problems facing mankind and critical of the leading role of the United States in scientific advancement.

It is likely that nearly every American has eaten a meal made with corn and soybeans enhanced through biotechnology. These products have been sold and served in restaurants, local grocery stores and farmers' markets for years, without any adverse health consequences ever being reported.

Additionally, agriculture biotechnology, contrary to what the EU may say, is good for the environment. In 2001 alone, biotechnology reduced the application of pesticides by 46 million pounds, in addition to reducing soil erosion and creating an environment more hospitable to wildlife.

However, the facts have not stopped the EU from propping up their moratorium on a flimsy foundation. In addition to their anti-American policies, the EU has more recently pursued policies to undermine the development and support of genetically engineered products around the world, including in countries facing famine, and that was the turning point in this case.

About 40 million people in Africa's famine-stricken nations are at risk of starvation and diseases brought about by incessant hunger. Additionally, 800 million children are starving worldwide. Ongoing droughts and famines have devastated these countries, leaving them without options, and much too often, without hope.

Last fall, three African countries—Zambia, Zimbabwe and Mozambique—were pressured to turn down shipments of safe, nutritious, U.S. humanitarian biotech food aid by the EU. The EU even threatened their export markets if they accepted biotechnology food aid. To do that to a country threatened with famine is nothing less than extortion.

This is the same food that we eat here in the United States. It is unconscionable to me that the EU would promote these anti-humanitarian, anti-development policies.

The EU should try honesty for once. They should try explaining the real reason they do not like American biotechnology: they want to protect their market from competition. They want to protect European markets by ignoring the scientific evidence, which makes clear the safety and nutritional advantage of biotechnology.

Our agriculture producers are leading the biotech revolution and providing us with the most affordable, most abundant and safest food supply in the world. And Missouri's producers are among the leaders in the country.

When the U.S. wins this lawsuit, it will be a victory for our producers who have lost more than \$300 million annually in corn exports, and also for science, the environment and everyone who wants to win the war against famine and world hunger.

I applaud the President for filing this suit in the WTO. In doing so, he is once again demonstrating the kind of leadership and courage we have come to expect from him I appreciate our leadership working so quickly on this important issue.

Senator BOND and I, along with several others, have submitted a resolution in support of the action in the WTO against the European Union. I urge my colleagues to consider this resolution expeditiously, to support it, and to give the administration the ammunition they need to prosecute this lawsuit successfully.

I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. 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.

Mr. GRASSLEY. Mr. President, I wish to take an opportunity just before we close down tonight to express some disappointment on my part that none of the specific small business and agricultural provisions survived the final conference agreement.

I truly believe there are many provisions in the final agreement that will be generally good for small business, but there are several specialty areas that continue to need tax relief in a special way to address the particular concerns of some industries.

Many of the items included in the original Senate bill are important to the bipartisan membership of the Senate. It previously passed the Finance Committee as well as the Senate. Again, I stress bipartisanship.

I plan to continue to work on a bipartisan basis with Senator BAUCUS, the ranking member of the committee, to assure that we are able to address the tax needs of S corporations, cooperatives, particularly farm cooperatives, small business excise tax problems, livestock drought relief through the tax efforts, and historic rehabilitation, just to name a few areas of concern.

As we finalize this growth package for the Senate's final vote and the President's signature, we will review the upcoming Finance Committee schedule and move forward with these important small business and agricultural provisions, all of which have bipartisan support.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I thank my good friend, the chairman of the committee, Senator GRASSLEY, for making that statement. We both agreed. Those are provisions that are very important, particularly to certain parts of America. These are provisions that we have been working on in the past to try to get included in law, and I very much appreciate the chairman of the committee making that statement to that effect just now. I join with him and look forward to working with him as we get these measures passed.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, in case I do not get an opportunity tomorrow—or who knows, maybe even forget it—I am reminded by the Senator's statement that even though we have disagreed on the substance of this legislation, the Senator from Montana, the ranking member of the committee, has very cooperatively helped us move this legislation along. We have entered into several agreements to help us get amendments out of the way. A couple of times when there were some political differences, he helped smooth my path to move this bill along. That is all within the tradition of the Senate Finance Committee, and I say it not only

to bring attention to the cooperative effort of Senator BAUCUS and also of the committee but also to demonstrate to the people of the country who might be watching this debate on the Senate Finance Committee bill and feel, well, it is just all the Republicans on one side and all the Democrats on the other side, that we are always that way and very seldom is a product from the Senate Finance Committee not a bipartisan product.

I thank Senator BAUCUS for helping us move this bill along, even though he is not in agreement with the substance of the legislation.

I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

UNANIMOUS CONSENT AGREEMENT—CONFERENCE REPORT TO ACCOMPANY H.R. 2

Mr. FRIST. Mr. President, I ask unanimous consent that when the Senate proceeds to the consideration of the conference report to accompany H.R. 2 at 8:30 a.m. on Friday, May 23, there be 1 hour for debate remaining divided as follows: Senator GRASSLEY, 25 minutes; Senator BAUCUS, 5 minutes; Senator CONRAD, 10 minutes; Senator DAYTON, 10 minutes; Senator DASCHLE, 5 minutes; Senator FRIST, 5 minutes.

I further ask consent that following the use or yielding back of the debate time, the Senate proceed to a vote on or in relation to the conference report, without further intervening action or debate. Finally, I ask consent that following the vote on the adoption of the conference report the Senate then begin consideration of H.J. Res. 51, the debt limit extension.

The PRESIDING OFFICER. Is there objection?

The Senator from Montana.

Mr. BAUCUS. Reserving the right to object, all this assumes, I take it from the majority leader, that we actually do get the conference report in time for the debate and then the vote.

Mr. FRIST. Mr. President, that is a correct assumption. We do expect it sometime between now and then, and we plan on having received it to start at 8:30. If we do not receive it, we will alter these best laid plans.

Mr. BAUCUS. Mr. President, given that assurance, which I trust will occur, I do not object.

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

MORNING BUSINESS

Mr. FRIST. I ask unanimous consent that the Senate proceed to a period for morning business.