

move forth and elect its government. And the interim government that is in there that, I must add, cannot continue on past the 2005 elections, that is in the agreement, that they have the necessary tools to be able to provide some of the things that I talked about here tonight. But it is good to have not only a partner like the gentleman from New York but someone who is willing to look at the big picture on behalf of the Haitian people. That is just the bottom line.

Mr. MEEKS of New York. That is it, Mr. Speaker. I think if we do not create the kind of democratic institutions and help them go along, and not just America, I think that he said it absolutely right. Not just us, but with the help of the United Nations, with them involved, so that we can create a climate of security. Because only if they have security can they have elections, and then only with elections can they have a true democratic government. And I do not like to get into these comparisons to Haiti and Iraq and things of that nature. We know that there are substantial differences. But one thing that is clear is there is a question as to what people of Iraq want and wanted. There is no question as to what the people want. Yes, they want us and they want the United Nations there to help them. They are begging for us to do this. So this is not something that is imposed, and they are just saying, if you give us the window of opportunity to create a secure environment, we know what we want to do and we just need that kind of help, not just for a day or for a week, as I said, but where it is a continuous help, and just help us get on par with the Dominican Republic, for example. Forget being another United States.

Help us so that when it is time to negotiate trade agreements when we are doing the FTAA that we as a country can take advantage of it and we can create the jobs. As the gentleman appropriately said, we can fish on our own.

So we are moving now. We have got the FTAA coming. We have got some other pieces dealing with the Caribbean Basin Initiative. We have got various other trade agreements. And if we do not help now, these people could be left out. But if we help now, they can be included in. And guess what? It will be short-term pain for us for long-term gain for everybody because then they will not be dependent upon us. Our troops will not be necessary there. They then will become a prosperous neighbor, and we do not have to worry about people coming over in a boat trying to get to our Nation, trying to flee an island that should be one of the most beautiful islands in all of the Caribbean. That is what this is all about.

Mr. MEEK of Florida. Mr. Speaker, they have some of the best beaches in the world, and the cruise ships used to go there all the time. Now there is a little small part of Haiti on the northern tip that is gated, secured, and they go there.

Does the gentleman from New York wish to share with us anything else this evening? Because I am going to close because I know we have an early morning and we have other Members who have to address the House.

Mr. MEEKS of New York. Mr. Speaker, I will close with this: I will follow his leadership. He has been a great leader, and I think that the people of Miami, but more importantly, the people of Haiti, are well served by his leadership. I think he is doing this not in a political way, but in a bipartisan manner; and I look forward to being with him in the morning.

Mr. MEEK of Florida. Mr. Speaker, I cannot tell the gentleman how much I appreciate his saying that. I hope my mother was watching, who is a past Member of this body. Hopefully, she will see how important and how my colleagues think of me. I thank the gentleman from coming down.

I just want to say this very quickly in closing, Mr. Speaker, that it is very important we do what is right on behalf of this Nation. It is very important, if we are going to have a policy and interdict Haitians at sea and we want to save lives so that the Coast Guard will not have to pick bodies out floating face down around the waters of Haiti and between the United States of America that we provide the kind of atmosphere for economic development, and I would also say to the Members that it is vitally important that we continue to pay very close attention in a bipartisan way and do what is right on behalf of this nation that helped us fight for our independence.

#### TAXES AND THE IRS

The SPEAKER pro tempore (Mr. BURNS). Under the Speaker's announced policy of January 7, 2003, the gentleman from Iowa (Mr. KING) is recognized for 60 minutes.

Mr. KING of Iowa. Mr. Speaker, I appreciate the opportunity to address the body and an opportunity to address the American people. This period of time that we have here this evening is a way to get a message out that sometimes does not get out. I also appreciate the remarks by the gentleman from Florida with regard to Haiti and promotion of freedom not just in this hemisphere but around the world. I think it is something we all agree with.

I would like to start out tonight by talking about an issue that is fundamentally important to the United States of America from an economic standpoint, something that I think affects us not just fiscally but socially and how we develop ourselves as a Nation, and I think it is an issue that will establish our American and national destiny for a long time to come.

We sit today with a lot of years of experience with an Internal Revenue Service that is too big, it is too intrusive, it injects itself into our private lives, and it slows down our business and our commerce. So I want to start

out with how I got to this point, and I want to conclude with why we ought to eliminate the entire Internal Revenue Service code and why we ought to eliminate the Internal Revenue Service entirely and why we ought to give people back their freedom and why we should cease taxing our productivity and remove the first lien that exists on everyone's wages in this country and replace it with an opportunity to decide when they pay their taxes when they go and purchase.

So for me it works in this way: in 1975 I started up a business. I went out and bought a bulldozer and began doing custom work on farms, building terraces and dams and waterways. And as I did that work, all I really wanted to do was simply run my business, provide a service and collect a fee for that and pay my bills and raise my family. That was the American dream. Maybe I was simplistic in my aspirations, and maybe I should have realized how complicated it could get. But as the years went by, I began to realize that I did not get to spend every waking moment, I did not get to spend every sunshine day out there doing something productive, working and moving earth and preserving soil and water quality. Instead, there was a day I finally had to pull in and park a machine on a sunny day and go in and start filling out more Federal forms.

On that first day that that happened that I could not any longer have energy to meet the Federal regulations at night or on rainy days or on weekends or on Sundays, that was the first day I lost real productivity in our small little business.

□ 1945

Well, it was also about the time that I was audited for the first time by the Internal Revenue Service, and I thought I had that behind me. A couple of years later, along came another audit. The second audit was for the year 1979, and I remember that clearly. The IRS did let me know that they wanted to do an audit on a certain date, and I accommodated them in every way possible.

But we did not have copy machines in those days, and I did not have staff in those days that could pull these records out of my files. I had done the records myself, I had built the book-keeping system that I had, and it was accurate, and it was precise, and it was thorough, and I had excellent records, and I could document where every single penny went without hesitation.

What I did not have was a copy machine where I could have copied a lot of records, handed them to the IRS and said, I will come back and see you tonight when the sun goes down, and we will see if you need any more information for your audit tomorrow.

So I made a decision that I would not allow them to rummage around in my files, pull records out. They did not know my filing system. I could not be assured that they could put them back

in the filing system the way they were. Not being able to copy them in any efficient fashion without a copying machine, I insisted that I will sit here with you, and any record you want, I will pull it out of the file. I will show it to you, you can take your notes, do your documentation and due diligence. Then when you are finished with those documents, I will put them back in my file and get you the next ones.

So I did that. I did that for 4 days, 4 days of being scrutinized by the Internal Revenue Service, believing all the time that I had done everything within the law, everything exactly right, not just legally but also ethically, filed my taxes on time, paid my taxes. And at the ends of 4 days, 4 days of lost productivity, the IRS agent finally sat down with me, and we went through these numbers that she had evaluated.

There were subjective decisions that were made, and I got hit for a loss in interest, in penalty and principal for taxes that to this day I do not believe that I had a legal obligation to pay, but if I had gone to court to defend myself against this behemoth of the IRS, it would have broke me.

I could not afford any more days of not being out making money, because I had bills that I had to pay, so I made a very, very difficult decision for me, and that difficult decision, for a person who believes in standing on principle, almost no matter what the cost, I made the decision that the principle of preserving my business was more important than the principle of going to court to defend I will say the subjective and arbitrary decision by a single IRS agent.

So, I had to set up a time payment, but I paid the principal and the interest and the penalty, and it hurt financially, but it hurt a lot more as a matter of principle.

So here I was, starting a business, creating jobs, doing the things that are within the parameters of the American dream, and I was being punished and penalized by an IRS service.

So that next day, on the fifth day when the sun came up, I went out to work, climbed in the seat of a bulldozer, and I began to build terraces. Well, there it is not the most exciting and thrilling thing a person can do. I have enjoyed a lot of it and built many thousands of feet, but while you are there, you are looking at the top of the hill, the machine is loud so you cannot have a radio, and that means that there is no entertainment there except what work is in front of you and what is going on around you, which is not a lot, and what goes on, the entertainment and the things that go on in one's own mind to keep you entertained.

Well, it was not entertainment that I was after. I had smoke rolling out of my ears from the IRS audit. So I began to day by day think about how do we go about eliminating the IRS? I mean, I did not work up to that premise, I just started with here is a basic premise, I wanted to eliminate the IRS.

I came to that conclusion from the beginning and did not consider the political difficulties of that. I simply considered what the world would be like if we had our freedom back and if we did not have this intrusive agency that was entering into my life and obstructing this thing, that all I wanted to do was run the business and raise a family.

So, day by day I sat there and began to think, well, we would have to replace the revenue. If we eliminate the IRS, how do we replace the revenue? And it did not take very long. I looked at what about an excise tax? What about import-export duties? What about user fees?

And it does not take very long of considering those alternatives before one can easily conclude that you cannot raise enough revenue in that method to fund this large Federal Government that we have, and the only alternative to eliminating the IRS and eliminating the tax on our income would be to establish a national sales tax that would be established at a rate all across this country, for 100 percent of the sales and service for the last retail stop for the dollar.

So I began to work that through, and I worked it through day by day, hour by hour. And I looked forward to going to work every day so I could sit there on that dull bulldozer and think about how we could get rid of the IRS. That was in a way my therapy. I had no idea in 1980 I would end up in the United States Congress in the year 2003 and 2004 and have an opportunity to come here and advocate for something that had taken place clear back then, that 20-plus years ago.

But that was what was taking place. Many days I was establishing a philosophy for a lot of things, not just the taxes. But as I worked through the problem of resolving this and eliminating the IRS and replacing the revenue, I asked question after question, the devil's advocate question of what goes wrong when we make a decision like this? How many things will change? What do we do about people that smuggle goods over the border to avoid the tax? What do we do about tax evasion? How do we get the States to comply? How many States already have the tax policy?

Well, I worked those things through, and I worked every one of the questions that I could come up with over weeks and weeks. I worked that all through in my own and had an answer back for all those questions that I could ask. And yet I would stop in town, the first one in the coffee shop in the morning, and the next one that would show up, I would begin to talk with them, what do you think about eliminating the IRS and going to a national sales tax? Nobody had thought of it before. It seemed like a concept that there should have been a few million people thinking about, but I could not find anybody that had thought about it before.

So as I went around my circle of friends and coworkers that I had and associates, I could get them to answer me, and it would be things like, well, I do not know, but it must not be a good idea, or we would be doing it.

I had all the answers to everything I could think of, so I would go to the library and look. I could not find anything on eliminating the IRS and going to a national sales tax. I thought there must be some economic study. I did not have the Internet, so I could not simply do a Google search and come up with whatever has happened out there in the Library of Congress. It was not available.

Finally, after weeks of trying to find a conversation with someone who knew something about this, someone who had at least thought about it before, had an opinion on it after I told them what I worked on, and trying to find some research, I finally told myself, well, Steve, you know, this makes ultimately so much sense to me that it should make that much sense to everyone else. Surely the rest the world must intuitively know what is wrong with it, they know that, and it is something I simply cannot comprehend or figure out, so that is the only reason why we are not doing it.

And I put it on the side shelf of my mind. I never put it away, it was always something that was there, but I was not as active on it for a number of years. But I always wanted to get rid of the IRS, always believed it was the economic stimulus, and I always believed there was a solution to any problem that anyone could raise that might be a reason not to move forward with what today is the bill that we call Fair Tax, or H.R. 25.

Well, this took place and began in 1980, and as those years unfolded, along about 1993, I get mailings that come into my office, and I always send out a little letter, make a phone call, so publications would come in, and I would send off for a book here and there.

As I built this little private library at home and this filing cabinet at home of all the things that interested me, which, again, was the foundation for the philosophy that I think gave me this great privilege and honor of serving in the United States Congress, I saw an advertisement for a book that caught my eye right away, and the name of the book was *Fire the IRS*.

I ordered this book, *Fire the IRS*, by Dan Pilla, copyrighted 1993. As I devoured this book, word by word, page by page, read it through forwards and backwards, marked it up and highlighted it, Dan Pilla had documented all of the things I had considered and more, and he also had some words for us from some economists. Dan Pilla was an IRS officer who understood this clearly.

This book, by the way, has been in my bookcase now for almost 10 years without me touching it until just a couple of days ago, I happened to see it peeking out of the rest of the books,

reached in and grabbed it. There was a reason why it popped out and into my hand.

But this book, *Fire the IRS*, by Dan Pilla, documented all of these things that I believed, and it gave me confidence that I had gone down a path that really was a legitimate path from an economic standpoint, a legitimate path where the best economists in America could stand up and defend a philosophy like this.

Now, I have only raised one issue with the IRS, and that is the intrusiveness of it and the burden of it. But we have a huge burden with the Internal Revenue Service, and it is not that they are not good people working for the agency. They have their job to do, and I do not take issue with that. It is that we need to establish good public policy here. We need to take the load off of tax collection.

It adds like this: When you add up the cost of funding the IRS, paying their wages, their overhead, their buildings and all the maintenance on those buildings, and their transportation, and all the things that go on to fund the IRS, you take that number; then you add up all of the dollars that we pay our tax preparers that take the data that we give them and put it together in a report that goes to the IRS and its tax filing, you add up that number; and you add up the number for all the tax lawyers that are out there that are working with tax avoidance, and that is the legal term, working for tax avoidance, and it is legal, the costs we are paying them; and our accountants, all the people that compile and process that data that gets that April 15 date turned in; and then you add to that the loss of income for people that have decided that my tax rates are too high. I do not want to work any harder this week. This 40 or 50 hours a week I work and this offer of 10 extra hours of overtime, I am not going to take it up, I am not going to do the overtime because I do not get to keep enough of the money that I earn. The IRS takes too much of it. So they make a rational decision, and they decide I am not going to work the overtime or I am not going to make the extra sales calls, or I am not going to start up that production line on my plant I have going here, because I can make the same cash flow, and I am happier living on the income I have got, rather than taking on all of the responsibility and burden of trying to make a little more money with the IRS taking a bigger and bigger chunk out of it as you go up the ladder. So, the people make a rational decision and decide, well, I am going to pick up my golf clubs or my fishing pole and take a little time off. There is nothing wrong with that either.

But when you add up all of these costs, all of these costs, 1985, by an economist in this book called Dr. Payne, \$720 billion a year, that is with a B, to fund the IRS and the revenue shortfall that is there. He also has calculated that for every \$100 collected by

the IRS, it costs another \$65 to collect that \$100.

But if it is \$720 billion in 1985, and I have not extrapolated the inflation factor on this to take us to the year 2004, but \$720 billion, and we would know it would be substantially more in today's dollars, but I will tell you it adds up to over \$1 trillion a year because of the inflation factor on the \$720 billion.

And another factor that is so huge in its implications that there is not an economic model that can evaluate that, and that is what happens to these millions of people that are out here collecting data that goes into the IRS and into the tax policy? There are millions of people out there that at least in part, and of them as a whole, make their money with taxes. Those people would go to work in the productive sector of the economy as opposed to the nonproductive regulatory sector of the economy.

So you add up all those numbers, the \$720 billion from Dr. Payne by 1985, add an inflation factor to that, and then add to that the economic impact of the people that are now in the regulatory sector, the nonproductive sector, and they would be shifted over into the private sector, the productive sector of the economy, it is easily over \$1 trillion a year the size of the anchor we drag along behind this ship chugging along here, which is our Nation's economy.

We are dragging that anchor across the bottom, and that anchor is at least 10 percent of our gross domestic product, and probably significantly more than that. We have about a \$11.4 trillion economy, and over \$1 trillion of it is the burden of the IRS. If we eliminate them, we can cut the chain on that anchor, and we can sail this economic ship free, and it will sail pure, and it will sail fast, and we will do a lot of good things.

Now, one of the things that we have is a negative balance of trade. Today our balance of trade is a minus \$503 billion a year. That means when we are buying \$503 billion more of goods than we sell to foreign countries. Foreign interests then own half a trillion dollars of our assets more every year. Each year that goes by, that number gets bigger, and they own more and more of the United States of America.

We cannot go on indefinitely mortgaging our assets and letting them be held as collateral by foreign interests because we have got a negative balance of trade. We need to turn that to the positive.

If we are able to pass H.R. 25, the Fair Tax, and if we are able to substitute then for that tax a national sales tax, consumption-based, that means that we untax all of these entities out here that are paying income tax today.

Now, it might come as a shock to some Americans that corporations do not pay taxes. Does it sound outrageous? Corporations do not pay taxes. They send the check in, all

right. They fill out their tax forms, all right. But they do not really pay taxes. No one in this place has ever been able to figure out how to get a corporation to actually pay a tax.

They have to pass the tax through, and they pass it through to real people. People pay taxes; corporations do not. So we untax corporations. We do not ask them to go out and collect them anymore, is the essence of it. By the way, many of them are spending hundreds of millions of dollars just filling out the forms and paying their attorneys to do the tax, the legal tax avoidance.

□ 2000

And it is so effective that 61 percent of our domestic corporations in America paid no taxes at all for last year, and 71 percent of the foreign corporations doing business in the United States filled out their forms but did not pay taxes.

So we are down to 40 percent, 39 percent of the domestic corporations, and 29 percent of the foreign corporations are all that are actually paying any taxes whatsoever. But, nonetheless, they are all passing it off to their customers. They are not digging out their asset base. So the cost in the goods of everything that we see on the retail shelf, the retail sales and service, that is the tax component that they are passing along to you, to the citizens of the United States, ranges from about 20 percent on up to 35 percent depending on how intensive their labor is and what their tax burden is.

And we can, by taking the tax off of our businesses that are providing the retail products and the service products, by taking that tax component out, that averages 22 percent. So that item that will cost you \$1.78 cents of it is actual cost of the production and 22 cents is the cost of the built-in tax. That is the tax, the corporate income tax and the payroll tax that they have to pay their employees and a few other assorted taxes that accumulate along the way.

If we quit taxing everyone's productivity, of course, we quit taxing corporate and business productivity as well. That means that the retail costs of goods go down by 22 percent. When that happens, that does a lot of great things. But what it really does with our balance of trade is it discounts the price of what we are selling to foreign companies, foreign countries by 22 percent.

So, for example, if we have a sign up like everybody else, back when I did the math, gas was \$1.50. So if we put our neon sign up that says gas is \$1.50, our competition overseas, they are selling theirs at the same price, we are selling goods into foreign countries as far as we can compete and no further. When we cannot get the price down any lower or the label of the United States is on it, that is the static line by which we are not going to sell any more goods overseas, and that line is different for

every commodity, and it is different in every country; but it is competition that sets that line. We can get an advantage by untaxing the cost of the products made by American companies. Taking the burden of that tax out, that will bring the cost down by 22 percent.

So now both of us today have a sign up that says gas is \$1.50; ours go to \$1.17. That is the equivalent component now for our competition for our prices of the goods that are going overseas. And it also it says "Made in America," which helps to sell it as well.

So we know what will happen. We will sell that competitive good, that product that is made in America into foreign countries until such time as they match our price and our quality, or they put up some kind of trade barrier, which is another can of worms that we need to address. That changes our balance of trade. It shifts our balance of trade from minus \$503 billion a year to a plus number. That is a great number, but I do not know how great it is. I know it is solid, and I know it is substantial. That means more jobs here in the United States of America. That means more American products sold overseas. That means we bring back our balance of trade.

Now, another thing that is happening is we are losing industrial jobs overseas. And it is going to happen. If they are paying 68 cents an hour equivalent in China and they buy a punch press or a lathe or whatever kind of industrial product, they are upgrading their productivity with that technology. And as they train their people to do that, we are not going to be able to hire people at 68 cents an hour. We cannot compete with that indefinitely. But what we can do is by discounting what we are selling to those countries is we will keep those jobs here longer. We will be competitive longer by taking the 22 percent out, that cost of the tax component of everything we sell, we take that out and we are more competitive longer which means we keep those industrial jobs here longer.

The gentleman from Georgia (Mr. LINDER) believes that we will get some of those jobs back again. And I believe that we will get some, and I think we will lose some. I think it will be a slow loss, but we will dramatically slow the loss at a minimum. And it is essential that we hold industry in this country and put tax and regulatory structures in place so that we can.

One of the reasons would be national security. It is not just our economy. But we have to produce things that are competitive in the world for our economy. But from a national security standpoint think, for example, that there is a foreign country over there in Europe that produces a guidance piece of technology that guides our missiles or our bombs. Think that that foreign country disagreed with our policy in Iraq when we went in there militarily and think what happens when they stop shipment of that guidance technology and we are not able to use our

missiles or our bombs in that same fashion. It puts our national security at risk. That is a fact, by the way, that that did happen.

We need to hold our technology here. We need to hold our industry here. We need to hang on to our blue collar jobs. We need to slow this loss of our industry overseas. If we can push it around and bring them back, we can do that.

For example, Ireland untaxed new corporations that would move there. A little island of 4 million people. And they now they have about 12½ percent flat tax on their corporations, far more competitive than the rest of Europe, at any rate. But when they untaxed corporations that would come and stay for 10 years, they ended up with today 560 American companies that are established on the little island of Ireland.

We should untax these companies that are here. We have lost a lot of American companies overseas. A lot of them would come back home again because of the new tax policy. We have foreign corporations that moved to the United States because of our new tax policy when we untaxed them. That means we have more jobs here in the United States, and that means our productivity goes up and it will be producing those kind of goods that will go overseas, and it improves our balance of trade.

Now, Ronald Reagan said what you tax you get less of. He also said what you subsidize you get more of. I will not go down the subsidy side tonight, but I will go down the tax side. What you tax you get less of. We are taxing everyone's productivity in this country.

The Federal Government has the first lien on everyone's labor, on everyone's productivity. That means that they reach into your check, they reach into your check at the end of the week and they take out what they want, and they let you take home the rest. That is called take-home pay. We have been so numbed by this that a lot of us do not even think about the money that we make; we think about the money we take home as the money we make. So we can let you keep all of the money that you earn and no longer have to take a withholding out of that check.

And then we are incenting the capital formation. We are not taxing either. Here are some of the taxes that we get rid of. I said corporate business tax, income tax, your personal income tax all goes away. The payroll tax on Social Security, Medicare, and Medicaid, that is the most regressive tax we have in America. Everybody pays that on the first dollar and all the way up to \$87,000, and then after that you do not have to pay any more of the Social Security portion, but you do Medicare and Medicaid. That is a regressive tax. It is an extraordinarily regressive tax. And we eliminate that.

So we are going to eliminate income tax of all kinds. We eliminate inheritance tax. The death tax goes away. We eliminate tax on interest income, divi-

dend income. We eliminate the tax on capital gains. The tax on your Social Security income, the tax on your pension all goes away. The tax on your interest in dividend income, as I said.

So who are the winners in this? Senior citizens are winners. And they are some of the people that I have to think of first because I represent the 5th district of Iowa. And they are in the western third of the State. I have 32 counties. We in Iowa have the highest percentage of our population over the age of 65 of any of the States in the Union. We are arguably the oldest State in the Union. And in this possibly the oldest State in the Union. And of the 32 counties that I represent, I have 10 of the 12 most senior counties in Iowa. I would only advocate a policy that was good for the seniors in this country because it is good for the district that I represent.

But what we are able to do with a fair tax is take away your tax on your Social Security income, tax on your pension income, tax on your interest income, your dividend income. We eliminate the tax on capital gains that will let you, if you own a house that you would like to sell, that maybe you bought it for \$10,000 now it is worth \$110,000, you do not have to pay the capital gains on that any longer if we pass fair tax H.R. 25. You can sell that parcel of real estate without a tax burden. It does not have to be part of the equation, part of the calculation in making a decision.

So if you want to go in and lease a duplex or apartment or independent living, if that is your decision, sell your farm too if you choose to do that. Maybe you paid \$100 an acre for the farm and today it is worth \$3,500. The capital gains on it would be tremendous. That is why we have people hanging on to real estate and hanging on to assets, because they cannot afford to sell them because of the capital gains burden.

Senior citizens make out very, very well on this because we untax their income stream, and we let them sell their assets without penalty and they can manage their retirement, and we eliminate the damage tax so they can pass what is left over on to the next generation, which is a part of the American dream as well. Seniors also get along, get another advantage here, that is part of what everybody gets and that is we have to remove the regressive nature of a sales tax. And that regressive nature comes with having to pay a tax rate for everything that you buy.

The less income people have, the greater percentage of their income will go to taxes. So we need to address that. That actually is the hardest problem to fix. But the solution is actually very simple once you come to that. That is this: we send into every household in America a rebate check at the first of the month to compensate each family in advance for the amount of money that they will pay in a Federal sales

tax in the necessary items on up to the poverty level.

So, for example, a family of four would get a check the first day of the month, or wired to their account is more likely going to happen, for an amount of \$479 for that month. That is actually a pretty good check. That is the tax portion of what they would spend. Senior citizens get that check; so does the poorest family in America. So does Bill Gates, by the way.

Everyone gets untaxed up to the poverty level. Then from there on, you start to pay your tax at a rate that would then be calculated. The average family then would pay less in taxes when the bill is passed than it does today. Senior citizens make out very well. The poorest people in America make out very well because we untax them. And they do not have any tax burden. They get the check for the first of the month for the necessary items.

And then neither are we taxing capital formation. We are not punishing you when you save money, when you invest money. You can invest money and earn income off of that without a penalty. So we incent then, we provide for and promote, capital formation. There will be billions of dollars that flow into all kinds of investment accounts. These investment accounts, they do not get sewed into a mattress. That money goes to some good, gets put to some use. Say someone decides I make a lot of money and I only want to spend a little bit of money. So I will take this money and save it, and I will put it into maybe a time deposit at the bank, a CD, certificate of deposit. Well, the bank will take that money and roll it into another investment or loan it to a young entrepreneur in the community that is starting up a business or maybe wants to buy that real estate that has primarily been tied up because of a capital gains bind. That is released. Start that up and maybe we have got young people that go in and buy a farm where they could not do that otherwise or they start a business that they could not do otherwise, or maybe that money goes into research and development.

And that is going to produce more items out here. And we use the creativity of America to bring more things to the marketplace. Or the money gets invested by companies to put capital investment in that does improve the productivity of every American. If it is a research and development that produces more of those innovations or higher education, all of those things, where the future of America's economy is, that future up there in the high-tech side, the development side, the investment side where it takes dollars and education and technology, we will incent that and those dollars will be invested there.

Those dollars, by the way, improve the productivity of the American worker who will then make more wages. There will be more demand for the American worker. The American work-

er has then more money in their pockets. They spend that money in the retail counter which then drives this economy. We watch how our economy is when we go up towards Christmas. We say are sales up or down; that tells us a lot about how strong our economy is. There will be more money in the end spent at the retail level.

By the way, all those things sold at the retail level get cheaper. They get 22 percent cheaper.

If you are wondering how it works, if you are a businessman, again I am from Iowa so we always put it into farming analogies, if you are a farmer and you go out and spend \$250,000 on a brand-new combine, and you are thinking I do not want to pay the tax on that, well, you do not pay the tax on that. You do not pay the tax because that is a business input. It is not a last retail stop for personal consumption.

So there would be no tax on the combine or the new tractor or the parts that go into it, or the seed or the fertilizer or all the other inputs that are there. Or if you are running a retail store, and you are purchasing inventory for that store, say, for example, you run a grocery store, you do not pay the sales tax on your wholesale cost of those goods. You collect it when you sell. Or if you are running a jewelry store and you happen to be buying jewelry that gets purchased at the inventory level, you put that inventory in the store, you are not paying tax on that inventory.

□ 2015

But when the person comes in and purchases that brand new diamond engagement ring that starts out that unique family that hopefully has a lot of children to participate in the American dream, that that new diamond ring does not get income tax on if when you purchase the diamond as a wholesaler or as a retailer, but the person that does it at the resale level from the retailer does pay the tax. But if you are selling it, you get the discounts on average of about 22 percent because the tax burden is off, and all the people, the people that you are paying to work in the grocery store or in the jewelry store or in the grain elevator, wherever it may be, you are no longer paying the payroll tax out of the wages, the 15.3 percent that you take out of the wages and send off to the Federal Government for Social Security, Medicare and Medicaid.

Many times I have sat there and made payroll out for over 28 years, 1,400 and some consecutive weeks, and I do not know how many different payroll checks I signed, but I met that payroll, and I sat there with that calculator, and I punch out .0765, multiply it times the gross wages, take it out of the employee's wages, add it. As an employer it is 15.3 percent. That does not get withheld any longer. You get to keep that in your payroll as well.

Most people think that that half of that 15.3 percent, .0765, can be added to

the employee's wages because, after all, that is the cost of the employee. So wages will go up by 7½ percent.

Now, this is, every piece of this policy is a good thing. Everything rolls around to the positive. And when we are finished with this, it adds up this way.

What is the rate? You all have to be asking and wondering what is the rate? Well, the rate adds up this way. Remember we are discounting everything you purchase by 22 percent, so compare it with that. We have to put the rebate check into every household to make sure it is not regressive, to make sure we can untax the poor and untax the people on fixed incomes. We will untax Bill Gates if he wants to live at the poverty level, and I am sure he will not. But when we do all of that, that cost is 3 percent. And then when we replace the payroll tax, and that is Social Security, Medicare, Medicaid, that .0765 times 2, 15.3 percent of your payroll, that replacement costs 8 percent at the retail level.

So now we are at 11 percent as a tax rate, but the replacement portion, then that takes us up to the revenue-neutral number, that number that just generates the income that is coming from the income tax today, that takes 12 percent. So when you add the numbers up, it is 3 percent plus 8 percent, which is 11, and you add 12, so you are at 23 percent; 23 percent embedded tax. But we discounted the same items by 22 percent.

So you will ask, how can we do that? That sounds almost like something for nothing. The reason that this works out this way, and we have over \$20 million of research on this that supports this, the reason that it works out so well is, first of all, we have a broad tax. It is all sales and service. We allow no exceptions or exemptions of any kind, because if we do, that opens the door up for this big machinery here in Washington, D.C., this monstrosity of a lobby that about half of it is all here because they are looking for a tax discount, the tax credit, the way to minimize the tax liabilities of these companies. And actually individuals only at 61 percent are paying taxes. Remember, as I said, domestic companies, and 61 percent, 71 percent of foreign do not, 61 percent of domestic do not.

So this whole component that we have here is the economic model that stimulates the maximum amount of economic growth. So we have incented this capital formation on the high-tech side. We have saved this loss of jobs that drain into overseas. We kept the blue-collar jobs that are here. We have fixed the balance of trade. We put money into investments. We put money into research and development, into high tech, into higher education. All of these are the good things we need to do on the top side of the economy and on the bottom side of the economy and on the balance of trade. And we have done that by changing this retail price by a little bit, because

the price goes down by 22 percent when you take the tax out, but the tax rate is embedded at 23 percent. We will tax all sales and all service at that. That is why when it is broad, we can keep the tax cheap. That is an essential component of this.

Now, another thing that I think about is today about 44 percent of Americans do not pay income tax. Now, I said corporations do not pay taxes, and they do not. People pay taxes. People producers pay taxes. If you are making an income high enough and do not have discounts or do not have deductions that make sure that you do not, but 44 percent of the Americans are not paying income tax today. That means that that number is growing. That number has grown dramatically in the last few years. If that number grows up over 50 percent, as soon as 51 percent of the people in this country figure out that they can go to the polls and elect themselves members of Congress and elect Members of Congress that will then tax the producers and send the money to the people who are not paying taxes, we have lost. We have lost this freedom. We have lost this constitutional Republic. We have lost this democracy if we let it get that far.

It only takes another 6 percent plus 1 for the nonproductive sector of the voting populace, those who are not paying income tax, to have a majority control in this country. Then the only thing that keeps them from voting themselves benefits out of the Treasury may be lack of organization, and maybe it bothers their conscience. I want everybody to have some skin in the game. I want everybody in America to pay some taxes.

We will send the rebate check into every household so we untax the poor, but when the poor goes out, when everybody goes out and purchases anything at the retail level, any sales or any service, then they are paying their taxes. That means they understand every day that they do a transaction how expensive the Federal Government is.

Every little kid when they grow up in America and they go to buy their baseball cards, let me see if I have them here, buy their baseball cards or buy their Barbie doll clothes, and they have to reach in and pull a couple of dimes out for Uncle Sam, that will hurt a little bit every time they have to do that. They will think about where that money goes. They will know intuitively from the time they are 4 or 5 years old that they have to fund this government. When they do that, I think they will understand when they get old to vote and participate in public life and old enough to hopefully serve in this United States Congress someday that there is such a thing as personal responsibility. And today we have created this dependent society where many of them look at government as the first solution instead of the last resort.

I want generations of Americans that look at government as the last resort and come up with their own first and second solutions and do everything they can to resolve their own problems at home. We need to have more independence and more freedom. This bill does that.

H.R. 25. You can find information about all of the statistics and data I have given you at [fairtax.org](http://fairtax.org).

We today have some 46 or so cosponsors on the bill. The gentleman from Georgia (Mr. LINDER) is the lead. The people in Georgia understand how important this is. They support a fair tax. They know this is the most dynamic thing we can get done. As I said earlier, the economists out there do agree. The only question is the political difficulty, not the economic difficulty. We are here to solve this political difficulty, and I am here speaking to this tonight.

I have done programs in Council Bluffs and in Sioux City. In Council Bluffs it was sitting room only. In Sioux City it was standing room only. I did not find anyone that could come up with a comment or question that would be a reason why we should not do this.

I believe everybody in America is a winner when we replace the IRS and the Income Tax Code with a fair tax, a retail sales and service tax, an embedded cost of 23 percent; discount those retail prices on sales and service by 22 percent because we are able to untax the businesses that produce those sales and service.

And by the way, when you look around this country, there are some people that do not pay taxes, and there are some people I would really, really like to tax, and I am looking around at the drug dealers in America. They are living in a black market, illegal economy, and they are dealing in cash. Do you think that they call up H&R Block and say, I brought in \$1.5 million this year, and I had a 67 percent profit margin; therefore, I must have a tax liability on \$1 million? They are not doing that. These people live in the shadows, but they take their cash out, and they go to the retail, and they buy things. That is why they are doing what they can do so they can buy things off the shelf. Clothes, cars, and entertainment and all the things the rest of us do, they are doing it tax free. Their business is in the shadows. We get to tax them not through the income tax, because we cannot catch them with that, on their cash income, but we will catch them at the retail level when they purchase things from the shelf.

So we get to tax drug dealers and prostitution. There is about a trillion dollars worth of illegal economy going on in America. We get to tax it all. So that is about \$230 billion in our Treasury there that ups the ante. That allows us to take the rest of your taxes down a little bit.

Tourists come into this country. They do not mind taxing me when I go into their country. We seem to mind

taxing tourists in this country. If we can tax the tourism industry that comes in here, people from foreign countries that are using our infrastructure, they drive on our roads, they flush our toilets, they use the electricity, all of these things that are part of our system in this country flowing and going so well, if we can tax them on what they spend in this country, that would be \$50 billion a year added to the \$230 billion that I mentioned earlier. We are up to where we have \$3 billion in revenue from the illegal side of this thing and from the tourism side, the prostitution, the drugs and all of that. So it is nice to have those people carrying part of the burden. They have not carried any of their fair share. The fair tax will require them to carry their fair share.

There are other things that we need to do to bring them in line. That is the big picture on this.

Every aspect of our economy gets better and better and better as we look at this policy and program. So we tax the tourists. We tax the drug trade. We tax the prostitutes. We tax the illegal industry that is in America and generate a number approaching \$300 billion a year. We untax the poor. We untax the senior citizens on fixed incomes at least, and the middle-American family that will get that rebate check in their households at about \$479 a month for a family of four. That makes that number around \$40,000 a year. They will find their tax rate at about 15.6 percent. So they get a cheaper tax rate, too.

It helps everybody in America, and, by the way, there is a political dynamic to this. When we started selling American products into countries that have not been competitive before, the European Union comes to mind, when that happens, they have to look at their own tax policy when they cannot be competitive any longer. That means they have to go back into their Parliament and make a decision on what their tax policy will be in order to compete with the United States of America. And that policy will be closer to a fair tax policy than the 70 percent income tax they have today that goes to, and that was Denmark, for example, where they take that income tax and provide all kind of things for people that take away their personal responsibility, create a dependency, grow a socialistic philosophy, and puts the burden on the economy that does not allow them to be competitive unless they raise the taxes so they can subsidize the things they need to, like our egg products, so it is harder for us to compete with them.

At some point our competition in this country breaks their bank, and they have to buy into our policy. When they do that, the European countries, the rest of the countries in the world will be more free than they are today. There will be a lower tax rate. People will be able to keep all the money they earn instead of having to give up 70

percent of it, and that means they will be more productive. And they will advocate for the same things we do. And the center for political gravity in Europe, for example, shifts to the right. When it does that, they are a closer friend to us, and they become more allies than they are today. And they have been good allies over the years, but we can improve that with the fair tax policy.

So H.R. 25, fairtax.org, embedded tax costs of 23 percent, reducing the cost of everything we sell by 22 percent. We repair our balance of trade; that minus \$503 billion a year in balance of trade goes to a plus number. We slow the loss of unskilled jobs or lower-skilled jobs going overseas, and we promote capital formation that grows our economy on the high-tech side. And we lower the taxes on middle-income America, and untax the poor and the senior citizens on fixed income.

It does everything that a tax policy can do. Additionally, the costs of compliance gets reduced by 95 percent. Forty-five States in the Union today have a sales tax in place. They already have the collection system there. They already have the audit system in there. So only five States have to put in place a sales tax system. They will grumble and groan about it a little bit, and they will be the five States to oppose this, and yet the best thing overall for America.

□ 2030

So, when they do collect those taxes, it will just be the State treasurer sends the check to the U.S. Treasury. It is that simple, and the audit systems are there now, and we can contract with them to continue to do the audits as they have, and we also want to pay ¼ of 1 percent to the States for collecting the tax and to the retailer for collecting the tax.

Have you ever had the government send you a check for collecting taxes before or did you just send it in and be glad you can keep the little bit that is left? We change that. So April 15, that day when people stay up all night long pulling their hair out to make sure they can file the forms, make sure they can meet their tax obligations, and there are millions of Americans that go to borrow money to pay their taxes on that day or the day after, April 15 is the worst day on our calendar, and it can become just another day when this Congress passes the fair tax, H.R. 25.

The time is right. The majority leader understands this. He has been a supporter of the fair tax for a long time. We know we need to bring tax reform. We know we need to bring a dynamic energy into this economy. No one, no one in their right mind, that is, would advocate that we would take the internal revenue code we have today and modify it and amend it and try to somehow get tax reform out of this monstrosity of pages and produce something that provided equity for the American people. It is not possible with that monstrosity.

If we went to the flat tax, as Steve Forbes advocated some years ago and as Dick Armey, who was the majority leader in this chamber, advocated some years ago, that postcard, if you put your taxes on, still keeps the IRS intact, still requires an audit. That postcard is your income tax the way it looked 90 years ago when this monstrosity first began. If we could cut it back to that with a flat tax, it would still grow into another monstrosity again. Over time, we can eliminate the IRS, we can eliminate the tax code, and by the way, we must amend the Constitution so that income tax is unconstitutional again and repeal the amendment that established and legalized the income tax, and the American people will be ready to do that; they will get confidence in.

We will pass the bill and introduce a constitutional amendment and watch this dynamic economy jump, but the piece that is most important is a \$1 trillion anchor on our economy imposed by the IRS today. That \$1 trillion anchor can be cut.

H.R. 25 cuts that anchor chain. That anchor can stay in the bottom of the ocean, and we can sail this ship of our economy free, and we can take these people that are now involved in the regulatory sector of the economy, the IRS workers and all those people who are so busy working for tax avoidance or tax compliance, I mean, we have got this whole competition going on out here. They can all go to work in the private sector producing a good or service that has value, that they can cash a check for, and they can go out, too, with the money they earn, keep all the money they earn, spend it at the retail level, decide when they pay their taxes.

It is freedom; it is fair. It is fairtax.org. It is time this Congress moves. It is time we have a conference to debate and discuss this and get off the dime on what is the best policy. This is the best policy. I believe that should be settled with the American people. We need to move forward and get past this indecision.

So with that, Mr. Speaker, I appreciate the opportunity to address the chamber tonight, and I look forward to some action on this issue and many others as this time unfolds.

#### LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CARDIN (at the request of Ms. PELOSI) for today after 3:00 p.m. on account of official business.

Ms. JACKSON-LEE of Texas (at the request of Ms. PELOSI) for today on account of official business in the district.

Mr. TAUZIN (at the request of Mr. DELAY) for the week of April 19 on account of medical reasons.

#### SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legis-

lative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. PALLONE) to revise and extend their remarks and include extraneous material:)

Mr. WYNN, for 5 minutes, today.

Mr. CONYERS, for 5 minutes, today.

Mr. MCDERMOTT, for 5 minutes, today.

Mr. FILNER, for 5 minutes, today.

Ms. NORTON, for 5 minutes, today.

Mr. PALLONE, for 5 minutes, today.

Ms. BERKLEY, for 5 minutes, today.

Ms. WOOLSEY, for 5 minutes, today.

Mr. SMITH of Washington, for 5 minutes, today.

Ms. KAPTUR, for 5 minutes, today.

Mr. CUMMINGS, for 5 minutes, today.

Mr. INSLEE, for 5 minutes, today.

(The following Members (at the request of Mr. MURPHY) to revise and extend their remarks and include extraneous material:)

Mr. MORAN of Kansas, for 5 minutes, April 27.

Mr. BURGESS, for 5 minutes, April 27 and 28.

Mr. NETHERCUTT, for 5 minutes, today.

Mr. OSBORNE, for 5 minutes, April 27 and 28.

(The following Member (at her own request) to revise and extend her remarks and include extraneous material:)

Ms. EDDIE BERNICE JOHNSON of Texas, for 5 minutes, today.

#### EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. SAM JOHNSON of Texas and to include extraneous material, notwithstanding the fact that it exceeds two pages of the RECORD and is estimated by the Public Printer to cost \$2,917.

#### BILLS PRESENTED TO THE PRESIDENT

Jeff Trandahl, Clerk of the House reports that on April 22, 2004, he presented to the President of the United States, for his approval, the following bills.

H.R. 1274. To direct the Administrator of General Services to convey to Fresno County, California, the existing Federal courthouse in that county.

H.R. 2489. To provide for the distribution of judgment funds to the Cowlitz Indian Tribe.

H.R. 3118. To designate the Orville Wright Federal Building and the Wilbur Wright Federal Building in Washington, District of Columbia.

#### ADJOURNMENT

Mr. KING of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 8 o'clock and 34 minutes p.m.), under its previous order, the House adjourned until Monday, April 26, 2004, at noon.