

subsidies to drug companies. I am disappointed, as a matter of fact I am heartsick, that many seniors who desperately need our help will not save one dime on their medication bills under this administration's program.

#### ADMINISTRATION HAS FAILED EDUCATION

(Mr. McDERMOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McDERMOTT. Mr. Speaker, when it comes to education, the administration's rhetoric is there, but it masks the reality. The administration waves a lot of papers and makes a lot of speeches, but they have failed education in America; and it is a required course.

Here are their test courses. The administration has an Education Secretary who calls the teachers' union "terrorists." The administration left every child behind when it grossly underfunded that essential education in the United States.

Today, we are celebrating and they are celebrating Cinco de Mayo, while they hide from the Hispanic community the fact that they have cut programs to promote staying in school, knowing that the high school dropout rate for Hispanics is four times higher than white students.

Come November we are going to enroll the President and the administration in a remedial rhetoric course to learn how to tell the truth.

□ 1030

#### HONORING GENERAL ZARAGOZA

(Mr. HINOJOSA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HINOJOSA. Mr. Speaker, I rise today to honor a true hero who gave his life to free his country from foreign oppression. Ignacio Zaragoza Segun was born in 1829 near what is now Goliad, Texas, in my 15th Congressional District.

In 1862, French troops began to march to capture Mexico City. They met the Mexican forces at the city of Puebla in a battle that lasted the entire day of May 5, 1862. Under General Zaragoza's leadership, the vastly outnumbered Mexican Army forced the withdrawal of Napoleon III's Army, the premier army in the world at that time. French losses were heavy, but Mexican casualties were few. The costly delay in Puebla helped shorten the French intervention. It also helped preserve the American union, as it kept the French Army too busy to directly aid the Confederacy with troops during the U.S. Civil War.

General Zaragoza received a hero's welcome in Mexico City. While visiting his sick troops, he contacted typhoid fever and he died September 8, 1862, at

the age of 33. On September 11, 1862, President Juarez declared May 5, Cinco de Mayo, a national holiday.

Today, Cinco de Mayo is celebrated throughout Mexico and around the world, but I hope that as we celebrate this holiday, we remember the courage and sacrifice of this true hero.

#### EVENTS OF THE DAY

(Ms. JACKSON-LEE of Texas asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, let me acknowledge the heroes of Cinco de Mayo Day, and all of my constituents and friends who are celebrating this day.

Mr. Speaker, I also want to acknowledge this is the national day to prevent teenage pregnancy, and to be able to say that from 1990 to 2000, the decrease in teenage pregnancy is seen at 28 percent.

Let me also congratulate the family of Mr. Hamill, who is now celebrating his return, and I acknowledge that because many of his friends and coworkers are in my congressional district. To them I say, what a celebration, but we pray for other hostages.

But I am so sorry that I stand here today really to challenge the tragedy of what has happened in the Iraqi prisons, not because those line soldiers, who I know have done a disgraceful act, are the only ones now being chastised, but because this administration believes that cameo appearances on the television are the solution to the tragedy of what happened, that that will correct the face of America in front of the million of Muslims and Iraqi people.

Mr. Speaker, it is time for the administration to come to this Congress and that there be full exposure to what happened, not in the back rooms of the Permanent Select Committee on Intelligence or some other committee, but in an open hearing of this Congress. Shame on this Congress if we do not demand a full briefing of what happened. It should not be behind the closed doors of the Permanent Select Committee on Intelligence.

#### EDUCATION IN AMERICA

(Mr. RUSH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RUSH. Mr. Speaker, as we approach the 50th anniversary of Brown v. Board of Education, it is crucial that we examine the progress America's public school systems have made.

It seems to me although we live in different times, many fundamental challenges still remain. I, along with my Democratic colleagues, believe education is vital for students, parents and for our country. America needs strong leadership in education, one that will make up for 50 years of broken prom-

ises and unfinished business. Broken promises, such as the President's failure to increase funding for schools that remain \$9 billion short, broken promises such as the President's failure to increase Pell grants for our college students while Pell grants remain the same for a third year in a row.

Mr. Speaker, when it comes to education, the President shows up for photo-ops, he stands next to children and to teachers for a picture, but he does not show up nor does he stand up with them when it comes to improving schools in our Nation.

It is time for the President to be held accountable for promises made and promises broken. As we commemorate the 50th anniversary of Brown v. Board of Education, it is time to stop leaving millions of our children behind.

#### DO NOT OVERLOOK TRUE MEANING OF CINCO DE MAYO DAY

(Mr. BACA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BACA. Mr. Speaker, I rise today to pay tribute to the Mexican patriots who gave their lives fighting valiantly and successfully against an overwhelming French army on May 5, 1862.

Celebrated as Cinco de Mayo, the true meaning of this holiday has been too often overlooked. Many celebrate with festivals, singing and dancing, but it is more than a party, it is about a proud heritage, cultural tradition and the freedom that was won. We as Americans and Hispanics celebrated Cinco de Mayo not just to honor the courage of those fighting for freedom, but also for its significance to the American ideal of self-determination, respect, justice and equality for all individuals.

Today, the struggle continues on, but we must come together as one Nation and one unit to respect each and every one of us. I yield back the balance of my time as we celebrate Cinco de Mayo, all coming together as one Nation and one country.

#### MIDDLE-CLASS ALTERNATIVE MINIMUM TAX RELIEF ACT OF 2004

Mr. LINDER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 619 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 619

*Resolved*, That upon the adoption of this resolution it shall be in order to consider in the House the bill (H.R. 4227) to amend the Internal Revenue Code of 1986 to extend to 2005 the alternative minimum tax relief available in 2003 and 2004 and to index such relief for inflation. The bill shall be considered as read for amendment. The previous question shall be considered as ordered on the bill and on any amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; (2) the amendment in the nature of a substitute printed in

the report of the Committee on Rules accompanying this resolution, if offered by Representative Rangel of New York or his designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

The SPEAKER pro tempore (Mr. KOLBE). The gentleman from Georgia (Mr. LINDER) is recognized for 1 hour.

Mr. LINDER. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Florida (Mr. HASTINGS), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, H. Res. 619 is a modified, closed rule that provides for the consideration of H.R. 4227, the Middle-Class Alternative Minimum Tax Relief Act of 2004.

It provides for one hour of debate in the House, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means.

H. Res. 619 also provides for the consideration of the amendment in the nature of a substitute printed in the Committee on Rules report accompanying this resolution, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent.

It waives all points of order against the amendment printed in the report and provides for one motion to recommit, with or without instructions.

Mr. Speaker, this is a fair and traditional rule for the consideration of legislation amending the Internal Revenue Code, and I hope that the House will approve the rule in order to have the opportunity to consider the merits of the underlying consideration.

The Alternative Minimum Tax was originally conceived as a means of ensuring that the wealthy "paid their fair share of taxes" in 1969. But, as has happened so many times in the past, the law of unintended consequences has meant that the AMT has produced a very different result.

Because the AMT is not currently indexed to the inflation rate, the number of taxpayers falling into the "AMT trap" is growing larger and larger every year. In 1970, 19,000 people paid the AMT. Today, this number has risen to over 3 million taxpayers. According to some estimates, approximately 35 million taxpayers will come under the AMT's procedures in the next 6 years.

These taxpayers are not wealthy by any stretch of the imagination. Increasingly, the AMT is punishing hard-working, middle class families.

With this in mind, I wanted to commend the gentleman from Connecticut (Mr. SIMMONS) for bringing H.R. 4227 to the floor today. This bill extends for 1

year the current limits on income exceptions from the AMT that Congress and President Bush enacted in 2001 and 2003. Notably, H.R. 4227 also indexes the limits for inflation, thereby precluding the AMT from taking an even bigger bite out of most moderate-income families' paychecks.

President Clinton's 1993 tax raise increased the AMT tax rate without adjusting the AMT exemption amount for inflation. Since then, however, the Republican majority in the Congress has repeatedly delivered AMT relief to taxpayers.

The Economic Growth and Tax Relief Reconciliation Act of 2001 increased the AMT exemption amounts, and the Jobs and Growth Tax Relief Reconciliation Act of 2003 further increased the AMT exemption amounts. These steps provided some relief to families, but for procedural reasons, the current law's AMT relief will expire next year if we do not enact H.R. 4227. While H.R. 4227 is a good proposal that deserves our support today because it will help provide much-needed AMT relief to workers, it is increasingly clear to me that the current income Tax Code is fatally flawed and in dire need of a fundamental overhaul.

To that end, I have introduced legislation, H.R. 25, that moves the Federal Government from an income tax-based system to a personal consumption system by abolishing all Federal income taxes and the IRS and replacing the Tax Code with a national retail sales tax on consumers buying new goods and services. Enacting the Fair Tax would, as just one example, solve the AMT problem for all families in the United States.

Mr. Speaker, I urge my colleagues to join me in supporting this rule so we may proceed with the debate on the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I thank the gentleman from Georgia (Mr. LINDER) for the time, and I rise today in opposition to the underlying bill and the closed rule providing for its consideration.

Once again, my friends on the Republican side have come to this floor in a restrictive manner stifling debate before it is even allowed to begin. The majority preaches fairness and inclusiveness while practicing and maintaining an agenda that divides and obstructs.

The gentleman from Georgia (Mr. LINDER) previously suggested it is a fair rule because it allows for a Democratic substitute. With all due respect to the gentleman, this rule is anything but fair, and it is far from open. The rule does make in order an amendment offered by the gentleman from New York (Mr. RANGEL), the ranking member on the Committee on Ways and Means. The Rangel substitute is far more encompassing than the Repub-

lican proposal, easier to understand, and most importantly, it pays for itself.

Despite making this amendment in order, the rule blocks the gentleman from Washington (Mr. BAIRD) from offering an amendment dealing with the deductibility of State income taxes or State sales taxes. Yesterday evening, the Baird measure came to the Committee on Rules. The gentleman from Washington asked that his amendment be made in order under the rule. In typical fashion, Republicans are blocking what they may not be able to defeat. Just like Shakespeare wrote, a rose by any other name would smell as sweet; a closed rule will always stink, and not even dozens of roses could blanket this stench.

The so-called Middle-Class Alternative Minimum Tax Relief Act that the House will consider later today is just another example of the majority's recklessly irresponsible tax agenda, not to mention creative naming practices. Even at first glance, this bill fails America's middle class. Folks, it raises taxes on the middle class. I do not know about the rest of my colleagues, but I have a pretty tough time making the argument in the district that I am proud to represent that a household income between \$100,000 and \$200,000 is middle class because in the district I represent, the average household income is barely \$31,000.

In that district that I am proud to represent, \$100,000 in household income is upper class by any definition; yet this is the income level that the majority continues to use as an example when making the case to eliminate the AMT.

□ 1045

The majority maintains that extending AMT exemptions help the middle class. I say it neglects America's real middle class. It raises their taxes. If Congress is serious about helping middle-class families, then it ought to use the \$18 billion we are spending on the AMT extension this year alone and invest in the public schools which middle-class children attend. Congress should use the \$18 billion and invest in health insurance for the 8.1 million uninsured middle-class Americans. Furthermore, 1-year fixes do not solve our problems. Over a 10-year period, this really will cost us \$559 billion. It would be easier to eliminate the entire income tax. It would cost us less than what the Republicans are proposing under the AMT provisions that they offer.

Or if we really want to make a statement about our priorities, Congress should dedicate this \$18 billion to the transportation reauthorization bill, a bill that a colleague of ours noted last week is currently stuck in a Republican legislative traffic jam. If we take this \$18 billion and add it to the nearly \$96 billion that we spent last week in eliminating the marriage tax, we have got ourselves more than 110 billion in

new dollars to invest in America's transportation and infrastructure. At the same time, we would be creating some 4.6 million new jobs. Congress could have the \$375 billion transportation bill that America needs without any increase in the gas tax and avoiding a Presidential veto. Instead, the majority chooses to cut taxes at the expense of our national priorities.

Mr. Speaker, I do not know any tax cuts that can teach high school algebra. I certainly cannot recall ever meeting a tax cut that could build a road. But I do know the Bush administration tax cuts, that 3 years of those have stalemated this body to the point that we are unable to adequately address long-term unemployment, an increasing number of uninsured people, escalating costs for health care, the uncertainty of an aging Social Security program, and an inadequate transportation system in this great country of ours. Three years of the Bush administration tax cuts have resulted in the largest deficit in the history of America, the greatest decline in household income in nearly 40 years, and an economy that is showing no immediate signs of recovery to help the more than 8 million unemployed Americans. Most important, tax cuts affect our ability to provide for America's military.

Let me send a message to President Bush and his minions. We cannot have guns and butter and ice cream as they propose. Our country has serious needs. Mr. Speaker, the underlying resolution neglects all of them. For that reason and that reason alone, Members should stand up against the interests of a few at the expense of all. I urge my colleagues to oppose this closed rule and reject the underlying resolution.

Mr. Speaker, I reserve the balance of my time.

Mr. LINDER. Mr. Speaker, I yield myself such time as I may consume to comment on the gentleman's opening statement. The gentleman from Washington did not show up at the committee to pursue his proposed amendment. And it is regular order for the Committee on Rules not to allow an open amendment process in bills that come out of the Committee on Ways and Means.

Lastly, let me just applaud the gentleman for saying we should get rid of the IRS. I welcome him as a cosponsor on H.R. 25.

Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I yield myself such time as I may consume.

Most respectfully, my friend from Georgia has misspoken. If he reads my comment, he will understand that I said the Baird measure was proposed before the Committee on Rules last night. I was there like the gentleman from Georgia was. I do know, as a matter of fact, the gentleman from New York (Mr. ISRAEL) presented the measure, and it was not accepted by us.

Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. FROST), the

ranking member of the Committee on Rules.

(Mr. FROST asked and was given permission to revise and extend his remarks.)

Mr. FROST. Mr. Speaker, I thank the gentleman from Florida for yielding me this time.

The alternative minimum tax was originally intended to provide fairness for all taxpayers by requiring wealthy individuals to pay their fair share of taxes. Unfortunately, the alternative minimum tax is affecting more and more middle-class families. Middle-class families clearly should not be subject to the AMT, and I am glad we are looking at solutions to end this unfairness today.

But there is another tax issue that affects millions of Americans and that I think deserves the chance to be debated today, the issue of State sales tax deductibility. Since the sales tax deduction was eliminated in 1986, citizens from States that do not have State income taxes, such as my home State of Texas, have been unfairly punished. While taxpayers living in States that impose an income tax are entitled to deduct their State income taxes from their Federal tax bill, those living in States without income taxes do not receive an equivalent deduction for the sales tax. The result is that citizens of States like Texas, Florida, Washington State, and Tennessee are paying more to the IRS than are citizens of other States.

I do not think this is fair, Mr. Speaker. All taxpayers should be treated equally regardless of their State's tax system. A number of Members from both sides of the aisle have introduced measures to reinstate the sales tax deduction, and I think it is high time that this House consider their proposals.

Last night in the Committee on Rules, I offered an amendment to the rule brought forth by the gentleman from Washington (Mr. BAIRD). His amendment would restore fairness to the Federal tax system by allowing taxpayers who have no State income taxes to instead deduct their State and local sales taxes. Unfortunately, the Rules Committee majority defeated my amendment. Mr. Speaker, I do not think that is right. This House has debated dozens of other tax bills, but the Republican leadership will not allow this House to debate an issue that penalizes millions of American taxpayers.

Mr. Speaker, this is not a partisan issue. It is a matter of fairness. If this House is to be presented the tax bill of the week for the foreseeable future, I cannot understand why the Republican leadership will not allow the House to even consider an issue that will provide equity for the people of my State and six others. I think the American people deserve a full and honest debate on this matter.

Consequently, so that the House might be allowed to consider the sales

tax deduction, we will attempt to defeat the previous question. If the previous question is defeated, we will offer an amendment to the rule allowing for the consideration of the gentleman from Washington's proposal to reinstate the State sales tax deduction for those States that do not have a State income tax. This may well be the only chance Members have to take a stand on this issue.

I urge my colleagues to vote "no" on the previous question so that this House may consider reinstating the sales tax deduction and so our constituents know where we stand on the issue of reinstating this deduction.

Mr. LINDER. Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I note that all of my Republican colleagues who have such great interest in this AMT are just showing up in great numbers to speak on this measure.

Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mr. COOPER).

(Mr. COOPER asked and was given permission to revise and extend his remarks.)

Mr. COOPER. Mr. Speaker, I would urge all of our Members who are from Texas, Washington, Florida, South Dakota, Tennessee, Nevada, or Wyoming to pay close attention. This may be your best time, it may be your only time in your congressional career to get basic Federal income tax fairness for your State. Let me repeat. If you are from Texas or Florida or Wyoming or South Dakota or Tennessee or Washington, this may be your only chance to get basic tax fairness for the citizens of your State. This is not a partisan issue. This is an issue of basic unfairness that has existed in this country since 1986 when the tax laws changed to deprive the citizens of our States basic tax fairness.

The citizens of those States I just named, Texas, Florida, Tennessee, Washington, South Dakota, Nevada, Wyoming, pay more Federal income tax per capita than citizens equally positioned in other States. Why? Because our basic tax mechanisms are the sales tax, not the State income tax, and we cannot deduct the State sales tax from our Federal income. So this is your best chance, this is your only chance, and you must vote against the previous question. That idea is anathema to some of our colleagues, but I think we need to rise above the petty proceduralisms of this House, rise above what your House leadership may be telling you or not telling you; and this is a choice to stand up with your people back home or to obey the rules of Washington.

Let us stand up for our people back home. Let us get basic tax fairness to our citizens. To do that, you have to vote against the previous question. This is not an ordinary vote on a regular Wednesday in Washington, D.C. This is your best chance, this is your

only chance to get tax fairness for your people back home.

Mr. LINDER. Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I would urge our colleagues who are back in their offices and committees to come on down here and explain to the middle class in America why this AMT is not a tax increase on them.

Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mr. DAVIS).

Mr. DAVIS of Tennessee. Mr. Speaker, I compliment my colleague from Tennessee for the remarks he has just made. Having served in the Tennessee State legislature in both the House and the Senate, one of the issues that was debated and discussed so often in both of those chambers, in both the House and Senate in Tennessee, is how can we bring tax fairness from the Federal level to those of us who live in States that only fund education through a sales-tax-based revenue stream. Our Speaker of the Senate was so fond of saying, "Uncle Sam taxes taxes." In fact, that is exactly what this Congress and what this Federal tax structure does to States who choose not to have an income tax. We tax taxes. That is certainly not what we intend, but that is the fact. We allow States who impose an income tax, either local or on the State level, on individuals who live in those States a deduction for the tax that they pay in State taxes to be deducted from the Federal income tax, but we do not allow those of us who live in States such as Tennessee who choose to manage their governments better, perhaps, than most by not imposing a tax on income.

In this Nation, we tax assets, a person's home. We tax purchases of food and clothing in the State that I live in and nonprescription drugs. Other States tax income. We have chosen not to do that. As a result of the tax bill that passed in 1986, you are imposing a tax on tax for those of us who choose to manage our States better, perhaps, than other States. I ask my colleagues to vote against the previous question.

Mr. LINDER. Mr. Speaker, I would like to just take enough time to remind the gentleman that the 1986 tax act was called the Bradley-Gephardt bill.

Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. The name of the bill, Mr. Speaker, does not make it any more correct. The problem still exists.

Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. LAMPSON).

Mr. LAMPSON. Mr. Speaker, I also want to say it does not matter what you call it. If it is inequity, it is inequity. If it is not fair, it is not fair. That is what I want to talk about this morning in this debate. We have lost the issue of a simple matter of equity and fairness.

I spent 19 years as a property tax collector in the State of Texas. My whole

goal in assessing value to property was to make sure that no property owner, no taxpayer paid an unfair burden in comparison to the others. Our Tax Code unfairly penalizes those who live in States where there is no local or State income tax, which includes my State of Texas. Just as I cannot accept discrimination on how our government treats individuals, I do not want to accept discrimination in how our government taxes our citizens across the board. My colleague from Washington State knows this all too well, and that is why his proposed amendment is so important and timely, because it restores sales tax deductibility for residents of States with no local or State income taxes.

As current law stands, residents in States with local or State income taxes can deduct those amounts from their Federal taxes. So I ask you, where is the fairness for our hardworking, tax-paying citizens? Texas is one of nine States with no income tax; and as a result of the 1986 Federal tax reform law, regardless of who wrote it and who voted for it, that does not matter. That happened then, today is today. Sales taxes are not deductible. As a result, we are not treating all taxpayers in this country equally. Consider this: if Texans could deduct what they pay in State and local sales taxes, they could keep more than \$700 million. That is a lot of money. That is money that the hardworking citizens of southeast Texas and the gulf coast region in my district could use to care for their senior citizens, pay their daily bills, use for unexpected emergencies, or even help offset our rising cost of school property taxes at home.

□ 1100

My colleague from Washington's proposed amendment offers a smart and simple fix and lets us remedy one part of our tax code so we can focus on reforming the rest of it. This money belongs to the residents of Texas, and by golly, if all other Americans get to deduct part of their taxes, then Texans should get to keep it as well. Let us vote against this previous question.

And this amendment would be limited to just one year, so it is not a permanent measure—I cannot think of anything more reasonable for us to consider.

After all, that's what equity is all about, and since it seems lately that all we are considering are tax bills, well then we might as well consider this one too.

Mr. LINDER. Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, how much time remains on each side?

The SPEAKER pro tempore (Mr. KOLBE). The gentleman from Florida (Mr. HASTINGS) has 14 minutes remaining, and the gentleman from Georgia (Mr. LINDER) has 26 minutes remaining.

Mr. HASTINGS of Florida. Mr. Speaker, I yield myself such time as I may consume.

Twenty-six minutes for those people who believe in this measure to come

down here and prove to America that their provision on the AMT is not a tax increase on middle class America, yet they are not using that time.

Mr. Speaker, I yield three minutes to the gentleman from Texas (Mr. STENHOLM), my good friend and good student of this process.

(Mr. STENHOLM asked and was given permission to revise and extend his remarks.)

Mr. STENHOLM. Mr. Speaker, I rise in strong opposition to the previous question so the House might be able to consider the Baird amendment restoring the deduction for sales tax, State sales taxes.

This is one of those issues that I wish the Committee on Ways and Means would have brought to the floor of the House 2 years ago. The AMT question is a very serious question of which there is a lot of concern about. But this is not the way to handle it in the bill today and the tax cut of the week, and obviously the lack of participation by my friends on the majority side shows how political this is and how substance is being thrown away.

But I want to talk about the State sales tax deduction which was eliminated in 1986. Citizens from States that do not have State income taxes such as my home State of Texas have been unfairly penalized. While taxpayers living in States that have an income tax are entitled to deduct their State sales taxes from federal taxes, folks living in States without income taxes do not receive an equivalent deduction. And my State is now in the process of increasing the sales tax on all citizens of Texas, which will compound the problem that we are talking about today. The result is that citizens of States like my State of Texas are paying more taxes than are citizens in other States with identical incomes, and I do not understand why the Committee on Ways and Means does not take up the question of tax fairness.

The Baird amendment would restore fairness to the Federal tax system by allowing taxpayers who have no State income taxes to, instead, deduct their State and local taxes. Why not? What is wrong with that? Why not have a discussion of that on the floor instead of the tax cut of the week, which is purely for political purposes that will show up in campaign ads all over the United States as evidenced by the lack of participation in the substance of that which we are talking about today?

I also believe that the fundamental bill, if we are going to have to, on the floor, ought to be paid for. I agree that this exemption of State sales taxes will cost an estimate of \$1.2 billion, but it ought to be paid for and it should be paid for in the interest of fairness. States should be able to decide for themselves whether or not they want to adopt an income tax instead of being pressured to do so because the Tax Code is biased in favor of a State income tax instead of a State sales tax.

What is wrong with that picture? Why can we not have a serious debate

on this floor about tax reform? Instead of just talking about it in campaign slogans, which we do, flat tax, et cetera, a fundamental question, why can the Committee on Ways and Means not take up the bill that they bring to the floor today and have a serious discussion of that within the committee? Why not let Members in a bipartisan way participate in these issues? Instead, it is a campaign issue. If they want a campaign issue, this is a campaign issue.

In Texas, the inability of Texans to deduct sales taxes should be an issue on the hearts and minds of every single Texan, and the vote on the previous question will clearly identify in this body who is in favor of fairness and who is not.

Vote against the previous question. Allow fairness to be discussed on the House floor.

Mr. LINDER. Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, by continuing the exemption for another year, 1 year, Republicans are incrementally trying to postpone the day of reckoning with the AMT. At some point a decision will have to be made to, number one, repeal some of President Bush's tax cuts or, number two, index the AMT for inflation at a cost of roughly \$370 billion or, number three, eliminate the AMT altogether at a cost of \$600 billion without the Bush tax cuts, or \$900 billion if President Bush's tax cuts remain beyond 2010.

What I just said is a part of inside baseball that at best we could feed to the goats the language that we employ here. The mythical Ms. Johnson and Jane and Joe Lunch Bucket understand only one thing and one thing only, that we need to have a debate on how it affects them. No one comes into my office talking about an AMT. But people come into my office talking about health care. People come into the office of our all of us talking about education. People come to our offices to talk about supporting the military in an adequate fashion. And countless, thousands, of Americans come to us talking about either being uninsured or needing to have incentives for small businesses. And yet we find ourselves unable to have a discussion in this House of Representatives that is meaningful as far as economics are concerned. What we get are campaign gimmicks and fancy names of things that do not become the law.

This measure has passed the House of Representatives before. If the American people wanted it to be law, they would be in our offices saying they want this to be the law. We cannot get ten people in most of our communities to write a decent paragraph on what the alternative minimum tax really is. I dare say we could not get a whole lot of Members of the House to do likewise.

With that in mind, it is a confusing set of circumstances that is a 1-year fix. If you think so much of it, why did you stay in your offices and not come down here and explain to the American public why the middle class will not experience a tax increase over the haul of 10 years? What do you do if you reduce the income taxes, then you eliminate the AMT on one hand and you take from the right hand and give to the left hand.

To correct my friend from Georgia, who will have the last word on this subject, correctly so, because he and his Members are in the majority, let me give him a summary of the motion that he brought to the House of Representatives. It says "Providing for Consideration of H.R. 4227, Middle-Class Alternative Minimum Tax Relief Act of 2004, Mr. LINDER, from the Committee on Rules, submitted the following."

I shall not read the entire report, but since he took it upon himself to say that the Baird measure was not before us, I shall only refer to the language of the motion offered by the gentleman from Texas (Mr. FROST) last night when the gentleman from Georgia (Mr. LINDER) and I were in the Committee on Rules.

"Summary of motion: To make in order and provide the appropriate waivers for the amendment offered by Representative BAIRD." Do not challenge me when I say that that was what was brought to us. That measure was defeated six to five by the majority, and I say today we have a chance to remedy that problem if Members, particularly those from Florida, were to see my Republican colleagues from Florida come down here and say that this is not a sound measure when all we have is a sales tax and right up the street somebody else with an income tax can deduct it from their Federal tax offering and we are unable to do this so. Fair is fair. This measure is not fair.

Mr. Speaker, I will be asking Members to vote "no" on the previous question. If the previous question is defeated, I will offer an amendment to the rule that will allow the House to vote on the Baird sales tax equity amendment that was offered in the Committee on Rules last night but not allowed by the Republican leadership. I think Members deserve an opportunity to vote on this important amendment. I want to point out that this is not a partisan amendment. It has support from both sides of the aisle as was demonstrated in the Committee on Rules vote yesterday.

The Baird amendment would allow taxpayers who itemize their deductions the option to deduct their State income tax or sales taxes paid in a given year. The option for deduction of sales taxes was available to taxpayers until 1986 when it was eliminated. The gentleman from Georgia (Mr. LINDER) said that the gentleman from Missouri's (Mr. GEPHARDT) name was on that. I remind him that it was signed by Presi-

dent Ronald Reagan. However, taxpayers in those States with a State income tax still retain the ability to deduct those taxes. The loss of the State sales tax option was particularly tough for taxpayers in States with no income tax like my own State of Florida.

As a result, people in my State and others similarly situated pay more taxes than people with identical taxable incomes in States that have a State income tax. It is very important that we equalize the tax relief for citizens in those States without the State income taxes.

Let me emphasize that a "no" vote on the previous question will not stop consideration of H.R. 4227, the Middle-Class Alternative Minimum Tax Relief bill. But it will allow the House to vote on reinstating the sales tax deduction option and correct the current tax inequity. But a "yes" vote will block Members from an up or down vote on this important tax relief.

Again, I urge a "no" vote on the previous question.

Mr. Speaker, I ask unanimous consent that the text of the amendment be printed in the RECORD immediately prior to the vote on the previous question.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. HASTINGS of Florida. Mr. Speaker, I yield back the balance of my time.

The material previously referred to by Mr. HASTINGS of Florida is as follows:

In the resolution strike "and (3)" and insert the following:

"(3) the amendment printed in Sec. 2 of this resolution if offered by Representative Baird of Washington or a designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall separately be debatable for 30 minutes equally divided and controlled by the proponent and an opponent; and (4)"

SEC. 2. The amendment referred to in (3) follows:

At the end of the bill insert the following new section:

**SEC. 3. DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.**

(a) IN GENERAL.—Subsection (b) of section 164 of the Internal Revenue Code of 1986 (relating to definitions and special rules) is amended by adding at the end the following:

"(5) GENERAL SALES TAXES.—In the case of taxable years beginning during 2004, for purposes of subsection (a)—

"(A) ELECTION TO DEDUCT STATE AND LOCAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.—

"(i) IN GENERAL.—At the election of the taxpayer for the taxable year, subsection (a) shall be applied—

"(I) without regard to the reference to State and local income taxes,

"(II) as if State and local general sales taxes were referred to in a paragraph thereof, and

"(III) without regard to the last sentence.

"(B) DEFINITION OF GENERAL SALES TAX.—The term 'general sales tax' means a tax imposed at one rate with respect to the sale at retail of a broad range of classes of items.

“(C) SPECIAL RULES FOR FOOD, ETC.—In the case of items of food, clothing, medical supplies, and motor vehicles—

“(i) the fact that the tax does not apply with respect to some or all of such items shall not be taken into account in determining whether the tax applies with respect to a broad range of classes of items, and

“(ii) the fact that the rate of tax applicable with respect to some or all of such items is lower than the general rate of tax shall not be taken into account in determining whether the tax is imposed at one rate.

“(D) ITEMS TAXED AT DIFFERENT RATES.—Except in the case of a lower rate of tax applicable with respect to an item described in subparagraph (C), no deduction shall be allowed under this paragraph for any general sales tax imposed with respect to an item at a rate other than the general rate of tax.

“(E) COMPENSATING USE TAXES.—A compensating use tax with respect to an item shall be treated as a general sales tax. For purposes of the preceding sentence, the term ‘compensating use tax’ means, with respect to any item, a tax which—

“(i) is imposed on the use, storage, or consumption of such item, and

“(ii) is complementary to a general sales tax, but only if a deduction is allowable under this paragraph with respect to items sold at retail in the taxing jurisdiction which are similar to such item.

“(F) SPECIAL RULE FOR MOTOR VEHICLES.—In the case of motor vehicles, if the rate of tax exceeds the general rate, such excess shall be disregarded and the general rate shall be treated as the rate of tax.

“(G) SEPARATELY STATED GENERAL SALES TAXES.—If the amount of any general sales tax is separately stated, then, to the extent that the amount so stated is paid by the consumer (other than in connection with the consumer’s trade or business) to the seller, such amount shall be treated as a tax imposed on, and paid by, such consumer.

“(H) AMOUNT OF DEDUCTION TO BE DETERMINED UNDER TABLES.—

“(i) IN GENERAL.—The amount of the deduction allowed under this paragraph shall be determined under tables prescribed by the Secretary.

“(ii) REQUIREMENTS FOR TABLES.—The tables prescribed under clause (i)—

“(I) shall reflect the provisions of this paragraph,

“(II) shall be based on the average consumption by taxpayers on a State-by-State basis, as determined by the Secretary, taking into account filing status, number of dependents, adjusted gross income, and rates of State and local general sales taxation, and

“(III) need only be determined with respect to adjusted gross incomes up to the applicable amount (as determined under section 68(b)).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

Amend the title so as to read: “A bill to amend the Internal Revenue Code of 1986 to extend to 2005 the alternative minimum tax relief available in 2003 and 2004 and to allow a temporary election to deduct State and local general sales taxes in lieu of deducting State and local income taxes.”

Mr. LINDER. Mr. Speaker, I yield myself such time as I may consume.

I merely point out that the majority party will be here to discuss the merits of the bill. The last debate has been on the rule, irrespective of the debate we heard from the other side, which was neither on the rule nor on anything in the rule nor on the merits of the bill. So I will urge my colleagues to come

and pass the previous question, pass the rule, and get on with the debate on the bill, which is the extension of the AMT exclusion.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HASTINGS of Florida. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for electronic voting, if ordered, on the question of adoption of the resolution.

The vote was taken by electronic device, and there were—yeas 220, nays 201, not voting 12, as follows:

[Roll No. 142]

YEAS—220

Aderholt	Dunn	Kirk
Akin	Ehlers	Kline
Bachus	Emerson	Knollenberg
Baker	English	Kolbe
Ballenger	Everett	LaHood
Barrett (SC)	Feeney	Latham
Bartlett (MD)	Ferguson	LaTourette
Bass	Flake	Leach
Beauprez	Foley	Lewis (CA)
Bereuter	Forbes	Lewis (KY)
Biggart	Fossella	Linder
Bilirakis	Franks (AZ)	LoBiondo
Bishop (UT)	Frelinghuysen	Lucas (OK)
Blackburn	Galleghy	Manzullo
Blunt	Garrett (NJ)	McCotter
Boehlert	Gerlach	McCrery
Boehner	Gibbons	McHugh
Bonilla	Gilchrest	McInnis
Bonner	Gillmor	McKeon
Boozman	Gingrey	Mica
Bradley (NH)	Goode	Miller (FL)
Brady (TX)	Goodlatte	Miller (MI)
Brown (SC)	Goss	Miller, Gary
Brown-Waite,	Granger	Moran (KS)
Ginny	Graves	Murphy
Burgess	Green (WI)	Musgrave
Burns	Gutknecht	Myrick
Burr	Hall	Nethercutt
Burton (IN)	Harris	Neugebauer
Buyer	Hart	Ney
Calvert	Hastings (WA)	Northup
Camp	Hayes	Norwood
Cannon	Hayworth	Nunes
Cantor	Hefley	Nussle
Capito	Hensarling	Osborne
Carter	Herger	Ose
Castle	Hobson	Otter
Chabot	Hoekstra	Oxley
Chocola	Hostettler	Paul
Coble	Houghton	Pearce
Cole	Hulshof	Pence
Collins	Hunter	Peterson (PA)
Cox	Hyde	Petri
Crane	Isakson	Pickering
Crenshaw	Issa	Pitts
Cubin	Istook	Platts
Culberson	Jenkins	Pombo
Cunningham	Johnson (CT)	Porter
Davis, Jo Ann	Johnson (IL)	Portman
Davis, Tom	Johnson, Sam	Pryce (OH)
Deal (GA)	Jones (NC)	Putnam
DeLay	Keller	Quinn
Diaz-Balart, L.	Kelly	Radanovich
Diaz-Balart, M.	Kennedy (MN)	Ramstad
Doolittle	King (IA)	Regula
Dreier	King (NY)	Rehberg
Duncan	Kingston	Renzi

Rogers (AL)	Shuster	Toomey
Rogers (KY)	Simmons	Turner (OH)
Rogers (MI)	Simpson	Upton
Rohrabacher	Smith (MI)	Vitter
Ros-Lehtinen	Smith (NJ)	Walden (OR)
Royce	Smith (TX)	Wamp
Ryan (WI)	Souder	Weldon (FL)
Ryun (KS)	Stearns	Weldon (PA)
Saxton	Sullivan	Weller
Schrock	Sweeney	Whitfield
Sensenbrenner	Tancredo	Wicker
Sessions	Taylor (NC)	Wilson (NM)
Shadegg	Terry	Wilson (SC)
Shaw	Thomas	Wolf
Shays	Thornberry	Young (AK)
Sherwood	Tiahrt	Young (FL)
Shimkus	Tiberi	

NAYS—201

Abercrombie	Gutierrez	Napolitano
Ackerman	Harman	Neal (MA)
Alexander	Hastings (FL)	Oberstar
Allen	Hill	Obey
Andrews	Hinchee	Olver
Baca	Hinojosa	Ortiz
Baird	Hoefel	Owens
Baldwin	Holden	Pallone
Becerra	Holt	Pascrell
Bell	Honda	Pastor
Berkley	Hoolley (OR)	Payne
Berman	Hoyer	Pelosi
Berry	Inslee	Peterson (MN)
Bishop (GA)	Israel	Pomeroy
Bishop (NY)	Jackson (IL)	Price (NC)
Blumenauer	Jackson-Lee	Rahall
Boswell	(TX)	Rangel
Boucher	Jefferson	Reyes
Brady (PA)	John	Rodriguez
Brown (OH)	Johnson, E. B.	Ross
Brown, Corrine	Jones (OH)	Rothman
Capps	Kanjorski	Ruppel-Allard
Capuano	Kennedy (RI)	Ruppersberger
Cardin	Kildee	Rush
Cardoza	Kilpatrick	Ryan (OH)
Carson (IN)	Kind	Sabo
Carson (OK)	Kleczka	Sanchez, Linda
Case	Kucinich	T.
Chandler	Lampson	Sanchez, Loretta
Clay	Langevin	Sanders
Clyburn	Lantos	Sandlin
Conyers	Larsen (WA)	Schakowsky
Cooper	Larson (CT)	Schiff
Costello	Lee	Scott (GA)
Cramer	Levin	Scott (VA)
Crowley	Lewis (GA)	Serrano
Cummings	Lipinski	Sherman
Davis (AL)	Lofgren	Skelton
Davis (CA)	Lowey	Slaughter
Davis (FL)	Lucas (KY)	Smith (WA)
Davis (IL)	Lynch	Snyder
Davis (TN)	Majette	Spratt
DeFazio	Maloney	Stark
DeGette	Markey	Stenholm
Delahunt	Marshall	Strickland
DeLauro	Matheson	Stupak
Deutsch	Matsui	Tanner
Dicks	McCarthy (MO)	Tauscher
Dingell	McCarthy (NY)	Taylor (MS)
Doggett	McCollum	Thompson (CA)
Dooley (CA)	McDermott	Thompson (MS)
Doyle	McGovern	Tierney
Edwards	McIntyre	Towns
Emanuel	McNulty	Turner (TX)
Engel	Meehan	Udall (CO)
Eshoo	Meek (FL)	Udall (NM)
Etheridge	Meeks (NY)	Van Hollen
Evans	Menendez	Velazquez
Farr	Michaud	Visclosky
Fattah	Millender-	Waters
Ford	McDonald	Watson
Frank (MA)	Miller (NC)	Watt
Frost	Miller, George	Waxman
Gephardt	Mollohan	Weiner
Gonzalez	Moore	Wexler
Gordon	Moran (VA)	Woolsey
Green (TX)	Murtha	Wu
Grijalva	Nadler	Wynn

NOT VOTING—12

Ballance	DeMint	Reynolds
Barton (TX)	Filner	Solis
Bono	Greenwood	Tauzin
Boyd	Kaptur	Walsh

□ 1139

Messrs. MARKEY, RAHALL,  
DELAHUNT, HOFFFEL, SPRATT,

MOLLOHAN, THOMPSON of Mississippi, and OBEY, and Ms. CARSON of Indiana and Mrs. JONES of Ohio changed their vote from "yea" to "nay."

Mrs. CUBIN changed her vote from "nay" to "yea."

So the previous question was ordered.

The result of the vote was announced as above recorded.

Stated against:

Mr. FILNER. Mr. Speaker, on rollcall No. 142, I was unavoidably detained, and I missed the vote. Had I been present, I would have voted "nay."

Mr. BALLANCE. Mr. Speaker, I was not present for rollcall vote No. 142. Had I been present, I would have voted "nay."

Ms. SOLIS. Mr. Speaker, during rollcall vote No. 142 on previous question on H. Res. 619, I was unavoidably detained. Had I been present, I would have voted "no."

The SPEAKER pro tempore (Mr. KOLBE). The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. ENGLISH. Mr. Speaker, pursuant to House Resolution 619, I call up the bill (H.R. 4227) to amend the Internal Revenue Code of 1986 to extend to 2005 the alternative minimum tax relief available in 2003 and 2004 and to index such relief for inflation, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 619, the bill is considered read for amendment.

The text of H.R. 4227 is as follows:

H.R. 4227

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Middle-Class Alternative Minimum Tax Relief Act of 2004".

**SEC. 2. EXTENSION OF ALTERNATIVE MINIMUM TAX RELIEF TO 2005.**

(a) IN GENERAL.—Subparagraphs (A) and (B) of section 55(d)(1) of the Internal Revenue Code of 1986 are each amended by striking "and 2004" and inserting ", 2004, and 2005".

(b) INFLATION ADJUSTMENT.—Subsection (d) of section 55 of such Code is amended by inserting after paragraph (3) the following new paragraph:

"(4) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any taxable year beginning in calendar year 2005, the \$58,000 amount contained in paragraph (1)(A) and the \$40,250 amount contained in paragraph (1)(B) shall each be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2003' for '1992' in subparagraph (B) thereof.

"(B) ROUNDING.—Any increase determined under subparagraph (A) which is not a multiple of \$50 shall be rounded to the next lowest multiple of \$50."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

The SPEAKER pro tempore. After 1 hour of debate on the bill, it shall be in

order to consider an amendment in the nature of a substitute printed in House Report 108-477, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered read, and shall be debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. ENGLISH).

Mr. ENGLISH. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today the House will consider one of the most important bills from the standpoint of tax equity that we will consider this year, the Middle-Class Alternative Minimum Tax Relief Act, a bill to make sure that the tax cuts which allowed middle-class families to keep more of their income over the past 3 years will not be undermined by the Alternative Minimum Tax.

There is little dispute, certainly none outside of this Chamber, that the Republican tax cuts helped families cope with economic uncertainties and played a significant role in stimulating the economic growth that we are seeing today. But if we do not act now to give the taxpayers another year of reprieve, the AMT will suddenly reappear and 11 million taxpayers will be hit with an average tax increase of \$1,520.

Mr. Speaker, by preventing middle-class Americans from claiming their rightful exceptions from tax liability, the AMT punishes families with children or those who live in high tax localities. If we do not act, married couples will see their AMT exceptions snap back from a threshold of \$58,000 to \$45,000. Single individuals will see their AMT exception drop from \$40,250 to \$33,750.

Mr. Speaker, let us be clear about this. These are not wealthy people. These are middle-class Americans who would be slapped with a steep tax hike that they would not know about until tax day, when they learn that the tax exemptions that they thought they could take, the same tax exemptions we intended for them to take and told them we were giving them, would no longer apply.

For example, a family of four with a household income of \$58,000 would, in 2005, be hit with the AMT. I am sure that no one here would seriously argue that that family is wealthy.

Today, the House has the opportunity, indeed, the duty, to extend AMT relief for 1 year and to ensure that middle-class Americans are not faced with an increase in their tax liability; and we must do this without raising taxes someplace else and stifling growth and killing jobs.

Mr. Speaker, this is an important measure to buy us time to truly reform the AMT and, as I hope, to repeal this regressive tax entirely. I have taken it upon myself to work with a number of

colleagues, including the gentleman from Louisiana (Mr. MCCRERY), a fellow member of the Committee on Ways and Means, to form a Zero AMT Caucus. We will have our day; but in order to get there, we need to pass this bill today on behalf of working families.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me join in with the gentleman from Pennsylvania in trying to work to eliminate this burden that has been placed on people that it was never intended to penalize. But, Mr. Speaker, before we can work together on this issue, the issue has to come before our committee. Is that not a novel idea, a tax bill coming before the Committee on Ways and Means?

□ 1145

Why is it that we yield our authority, our jurisdiction to the Committee on Rules? Is this not something that should not be a partisan issue? Is this bill, this AMT, not adversely affecting Democrats and Republicans and liberals and conservatives? Why do we have to, in the middle of the night, shift this over to the Committee on Rules and then come to the House floor and say we want to spend \$167 billion to go into debt but we only want to do it for 1 year? That is truly unfair.

Why do you give away tax relief for the marriage penalty and then take it back away with the alternative minimum tax? Why do we have this sloppy way to develop a Tax Code that is so complicated that it takes hours for people to try to get the benefits that we say we are giving to them?

So what I am saying to my friend from Pennsylvania, please do not tell us how you have got to struggle to make this permanent. Tell us how we can get the jurisdiction back in the Committee on Ways and Means.

It would be wonderful if you were saying that we were going to schedule hearings on this so witnesses can come forward. And while you are doing that, would you please tell the American people whether they are providing this tax relief at the expense of the debt that they are giving their children and grandchildren.

Would it not be good to know how you intend to pay for this? Where do we get the \$17 billion? Do we take it away from DOD as we fight in Iraq? Do we take it away from homeland security or do we borrow it so the Chinese can buy our debt?

I do not know. I am 74 so it may not be my problem, but it may be the problem of our children and our grandchildren, as we give relief, which we should give on a permanent basis in one hand, and then we take it back from our children and our grandchildren. This is no place to legislate this complex legislation.

I just hope that no matter what happens at the end of this year, that somebody has the guts to say that tax legislation should come from the Committee on Ways and Means and not the distinguished Committee on Rules.

Mr. Speaker, I reserve the balance of my time.

Mr. Speaker, I ask unanimous consent that the gentleman from Washington (Mr. McDERMOTT) be allowed to control the remainder of my time.

The SPEAKER pro tempore (Mr. KOLBE). Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. ENGLISH. Mr. Speaker, I yield myself 15 seconds.

Mr. Speaker, I note that this issue has come up repeatedly before the Committee on Ways and Means. The Committee on Ways and Means has repeatedly worked its will on this issue and it has made very clear that it is committed to this kind of exemption. The Committee on Ways and Means is clearly in the loop in this.

Mr. Speaker, I yield 3 minutes to the gentleman from Illinois (Mr. CRANE), a distinguished member of the Committee on Ways and Means.

Mr. CRANE. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, in 1969 Congress enacted the individual alternative minimum tax, AMT. The purpose of this tax was to require that all taxpayers pay some tax on their income. We can have a debate about the merits, or lack thereof, of the AMT and I hope that in time we will.

Many of the provisions of the Tax Code that gave rise to the AMT do not exist today and have not existed for many years. However, today a more immediate issue confronts us. Mr. Speaker, the Clinton tax increase of 1993 increased the AMT tax rate but failed to adjust the exemption numbers for inflation. As a result of this tax increase, millions of American families, middle income families are forced to pay the AMT each year.

President Bush's 2001 and 2003 tax relief bills increase the AMT exemption amount from \$45,000 to \$58,000 for married couples and from \$33,750 to \$40,250 for single individuals. These increases ensure that the AMT is the result of the tax relief provided in the 2001 and 2003 tax relief laws do not hit middle income families. However, if we do not act now, this relief will expire at the end of this year. As time goes on and as inflation and costs increase, the number of taxpayers subject to the AMT increases.

If we do not act, over one million single filers and seven million married filers will be caught up in the AMT. The legislation before us today will extend the 2003 tax relief through 2005 and will adjust the exemption amount for inflation. Single filers earning up to \$40,900 and married couples earning up to \$58,950 will be exempt from the AMT.

Mr. Speaker, millions of middle class Americans run the small businesses

that are the backbone of our economy. It is private citizens, not the Federal Government, that create this Nation's wealth and pay this Nation's taxes. If we do not act today, nearly eight million middle class taxpayers will suffer from our inaction. That is unconscionable and I urge my colleagues to support this legislation.

Mr. McDERMOTT. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, this is one of those days when we come out here and try to fix a problem the Republicans created for themselves. Ever since you have been in charge of this place, you did not want to have regular order. You wanted to run bills through the committees without having any witnesses come in and talk about them. You would not listen to what people said to you. And now you have a big problem on your hands and you want to come out again today and put one more Band-Aid on a program that you put a Band-Aid on last year, and you will be back next year and next year and next year because you never understood what you were doing.

Now, when this bill went into effect in 1987, it was designed to tax those people who made lots of money and paid not one penny. That is what it was about. It affected .1 percent of the payers in this country. And the same was true even with the adjustments that we made in 1993 when I was here. The numbers were essentially the same, around .2 percent of taxpayers. Today we are looking at 25 percent of the people in this country are having to figure their taxes twice, because the Republicans made all those tax cuts in 1997 and paid absolutely no attention to what was going on.

If you live in a high tax State like New York or like California or like a lot of the progressive States in this country, and you have a couple of kids, you cannot deduct the money you pay in State taxes. You cannot deduct the money you pay in local taxes. You cannot deduct the deductions for your children. That is why it is sweeping down into the middle class. Half of the households who will be paying this tax are making less than \$100,000 a year and over a third of them will be paying between 50 and \$75,000.

Now, consider we made these great big tax cuts, we gave \$112,000 to people making more than a million and we gave \$676 to people in the average income range in this country. And then we turn around and slap them with the AMT tax. Most Americans do not know what the AMT is. It is called, for those of you watching this on television including somebody at the White House maybe, alternative minimum tax. It means if you are not paying enough income tax, then you have to pay this alternative.

Now, what has happened because the Republicans messed it up so badly, they have now swept up about a quarter of the taxpayers in the country with it rising to a third if they do not

do something about it, and they have done that while they were busily helping their friends at the top who were not paying taxes anyway.

Now, this bill is another, as I say, Band-Aid. We have an alternative which will be offered by one of my colleagues from Massachusetts which solves the problem in a much more reasonable way and gets the middle class out of this tax trap.

Mr. Speaker, the following is an article from the Seattle Post-Intelligencer which describes this whole program.

[From the Seattle Post-Intelligencer, Jan. 17, 2004]

GET READY FOR THE ALTERNATIVE MINIMUM TAX

(By Mary Deibel)

Few Americans have heard of the alternative minimum tax, but many taxpayers are about to find out that it's the biggest financial setback they face, an IRS taxpayer advocate says.

"Although the AMT was originally enacted to prevent wealthy taxpayers from avoiding tax liability through the use of tax avoidance techniques, it now affects substantial numbers of middle-income taxpayers and will, absent a change of law, affect more than 30 million taxpayers by 2010," taxpayer advocate Nina Olson said in her 508-page annual report naming this parallel tax system taxpayer enemy No. 1.

Olson should know: State and local taxes pushed her into the alternative minimum tax last year so now it is personal as well as professional for her.

And it's about to get personal for lots of other taxpayers, too. Absent action by Congress and President Bush, one in four households will owe the alternative minimum tax by 2010.

Some 52 percent of them will be families making \$100,000 or less a year, including 73 percent of households making \$75,000 to \$100,000 and 37 percent making \$50,000 to \$75,000.

Married couples—especially couples with lots of children—are most apt to be hit by the alternative minimum tax, which prohibits deductions for dependents along with write-offs for mortgage interest, state and local taxes, medical expenses and the like.

"It's a class tax that became a mass tax," says Urban Institute economist Len Burman, who co-authored the study projecting the future growth of the alternative minimum tax unless the tax code is changed.

Congress enacted the tax in 1969 after being flooded with mail protesting reports that 155 ultra-rich Americans gamed the system to avoid paying a penny toward income tax.

The alternative tax has been on the books since then, never indexed to inflation the way regular income taxes have been since 1981.

The tax breaks President Bush and Congress enacted since 2001 expanding child tax credits, "marriage penalty" relief and the like make it more likely taxpayers who try to claim these write-offs will owe the alternative minimum tax.

The 2003 tax cut contains a temporary provision that will help many families avoid the alternative minimum tax for just one year.

Repealing the tax through 2010 would cost the Treasury \$600 billion in revenue, according to the non-partisan Tax Policy Center, a Washington think tank.

Meanwhile, taxpayer advocate Olson says taxpayers who might owe the alternative minimum tax can expect to pay a higher tax bill and spend an extra 12 hours preparing their 2003 taxes.

Many won't owe it, but they still must spend the extra half-day on the paperwork, she says.

Mr. Speaker, the average citizen in this country is not aware what is happening; and the Republicans are out here today, the reason they do not want to have hearings in the committee is it might get on CSPAN. Some people might find out what was really going on in the tax structure. But, no, we have to come out here, take it up to the Committee on Rules in the middle of the night, slip it down on the floor; and slam, bam, thank you, ma'am, it is out of here in an hour so that people will not know how badly you have messed it up for the middle class.

You have got to put these commercials on that say the middle class have benefited immensely from our tax cuts, and then you run out here to take the pain away that you are creating for them. And in my view, it could all be stopped if you simply would follow the regular order and allow this to be a debate in this House and about the issues that you are changing. To go from .1 percent of the taxpayers to 25 percent of the taxpayers, including people making between 50 and \$75,000 without letting people ever, their representatives in the Congress, to have an opportunity to explain that to the American people, is absolutely unacceptable.

We will all vote for this bill, but it is another Band-Aid; and you will be back here next year. I bet you a month of my salary on that.

Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Florida (Mr. SHAW), a member of the Committee on Ways and Means.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me time.

To listen to the gentleman from Washington (Mr. McDERMOTT) you would think that the Republicans are the ones that invented this tax. This was put in in the 1980s and under a Democrat Congress.

Also, I would like to remind the gentleman from Washington (Mr. McDERMOTT) that in 1993, I believe without a single Republican vote, the rate was increased. We are trying now to roll some of this back. Is it enough? No, it is not enough. We need to do more. In fact, we need to kill this thing entirely, but until we can find the revenue, at least this would get to the middle class people, people that it was never intended to get, and to stop the bracket creep and the problem that they are having.

These are folks that are struggling to educate their kids, to buy groceries and pay their mortgages. They do not need an alternative minimum tax. It has got to be done away with. It should be done away with all the American taxpayers. This is a small step but it is a meaningful step. And I would predict that we would get a unanimous or near unanimous decision out of this House.

Mr. McDERMOTT. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. LOWEY).

Mrs. LOWEY. Mr. Speaker, I rise today on behalf of the more than 2 million taxpayers who are unfairly burdened by the alternative minimum tax. As we know and it was explained today, it was designed in 1969 to ensure that the wealthiest Americans would still pay a fair share of taxes. The AMT now ensnares many middle income Americans in what was once envisioned as an alternative minimum tax has become nothing short of a mandatory maximum tax. And those it sought to protect have become its greatest victims.

Let us be clear on what the AMT is not. It is not a technicality of significance to only a few bureaucrats and the tax intelligentsia. It is not a mere glitch, the repair of which would only help a handful of disproportionately rich individuals. It is a system that affects 2.4 million families this year. A system that, if left unchecked, will affect nearly 75 percent of families making \$75,000 to \$100,000. It is a system that, in my district, can cost an individual making a good living, but not a lavish living and taking itemized deductions, thousands of dollars more in taxes each year.

In 2008, a family making over \$50,000 with three children would be affected. Any family with one child or more, 60,000 would be affected.

□ 1200

Although I am pleased to see bipartisan support to act to ameliorate the AMT, these temporary remedies will only be as valuable as the permanent solutions developed in the interim. These measures have the potential to help millions of families this year, but we must work together to crack the system that protects all hardworking Americans going forward.

I support the fiscally responsible Rangel substitute and urge my colleagues to help put an end to the inequities of the alternative minimum tax.

Mr. ENGLISH. Mr. Speaker, it is a great privilege for me to yield 4 minutes to the gentleman from Connecticut (Mr. SIMMONS), the prime sponsor of this legislation and a real advocate for middle-class taxpayers.

(Mr. SIMMONS asked and was given permission to revise and extend his remarks.)

Mr. SIMMONS. Mr. Speaker, I thank my friend from Pennsylvania for yielding me the time.

I rise today in support of the Middle-Class Alternative Minimum Tax Relief Act of 2004, a bill that will prevent millions of middle-class, middle-income Americans from paying higher taxes next year.

Mr. Speaker, when the IRS's national taxpayer advocate Nina Olsen presented her annual report to Congress at the end of last year, she deemed the AMT, or the alternative minimum tax, as "the biggest problem taxpayers face today." She did not say upper-income taxpayers. She did not say top tax

brackets. She did not say wealthy taxpayers, but simply taxpayers. In fact, middle-class families with children are becoming increasingly liable to come under the AMT for several reasons.

First, the baseline exemptions in this tax were never exempted for inflation. So as more and more Americans have entered into the middle class over the past 25 or 30 years, they have outrun the exemption and, therefore, fallen into the AMT trap.

Secondly, the AMT has begun to fall especially hard on middle-class families with children, the very people we in this body have aimed to help, not hurt, with our tax laws. These Americans work hard, they play by the rules, they pay their taxes year after year and are now sending more of their earnings to the Federal Government because this tax does not allow them to take the standard deduction for married couples, and it does not allow them to enjoy individual exemptions for themselves and their children.

What is more, as my colleague from New York has indicated, high-tax States such as New York and Connecticut are much more likely to be caught because the State, local, and personal property taxes are not deductible. Connecticut is the most taxed State in the Nation; and this year, around April 15, I heard from many of my constituents about the AMT tax.

Just last week, on a radio call-in show, I heard from a constituent, Rose Curran. She called in to complain about the AMT. Rose and her husband, Dan, did not have to pay it this year, but they anticipate that if we do not act they will pay it in the next couple of years.

Rose is a retired State employee whose only income is Social Security. Dan is a Vietnam veteran, disabled, a retired sailor from the U.S. Navy who now works as a civilian at the submarine base in Groton. I do not consider Rose and Dan Curran what I would call wealthy or rich people. They do not either, and yet they are concerned that if Dan keeps working at the submarine base they will fall into this trap.

This is one of the reasons why I introduced the Middle-Class Alternative Minimum Tax Relief Act of 2004, to extend through 2005 the AMT relief provided in the 2003 law. This measure will ensure that taxpayers who are currently exempt from the AMT will continue to be protected because AMT will be indexed for inflation over the next year.

If this legislation is not enacted, Mr. Speaker, the number of working families affected by the AMT will increase from over 3 million this year to over 11 million in 2005. Here is a chart that illustrates what will happen. We will go from 3 million to 11 million. If we enact this legislation, we will remain at the 3 million.

Mr. Speaker, I urge all of my colleagues to join me today in support of middle-class Americans like Dan and

Rose Curran of Norwich, Connecticut. I urge their support for this legislation.

Mr. Speaker, I rise today to support my "Middle-Class Alternative Minimum Tax Relief Act of 2004," a bill that will prevent millions of middle-class Americans from paying higher taxes next year.

In 1969, the Treasury Secretary testified before Congress that 155 individual taxpayers with incomes above \$200,000 paid no Federal income tax on their 1967 tax returns by taking advantage of the many exemptions and deductions in the tax code. This revelation sparked an immediate backlash from the American people. That year Congress received more constituent letters regarding those 155 taxpayers than on the Vietnam War.

Following this outburst from taxpaying constituents, legislation was passed that created a minimum tax designed to ensure that wealthy individuals could not escape income tax liability. It was termed the alternative minimum tax or "AMT," for short.

The AMT is a parallel tax system. You calculate your taxes under the normal tax system and again under the AMT. Whichever one yields a higher tax is the one you pay. The difference is that when calculating the AMT you cannot take the standard deduction, child exemptions, or deduct state, local, and personal property taxes. Without these important deductions, the AMT often carries the higher price tag of the two. Over three million American families discovered this just last month when calculating their taxes. For them, the AMT became their income tax.

Mr. Speaker, when the IRS's national taxpayer advocate, Nina Olsen, presented her annual report to Congress at the end of last year, she deemed the AMT to be the "biggest problem taxpayers face today."

I would urge my colleagues to note that Ms. Olsen said "taxpayers." Not upper-income, not top bracket, not wealthy taxpayers, but simply taxpayers. In fact, middle-class families with children are increasingly liable to come under the AMT for several reasons.

First, the baseline exemptions in this tax were never indexed for inflation. So as more Americans have entered the middle-class over the past 30 years, they have "outrun" the exemption and therefore fallen into the AMT trap.

Second, the AMT has begun to fall especially hard on middle-class families with children—the very people who we in this body have aimed to help not hurt with our tax laws. These Americans—who have worked hard, played by the rules, and paid their taxes year after year—are now sending more of their earnings to the Federal government because this tax does not allow them to take the standard deduction for married couples and it does not allow them to enjoy individual exemptions for themselves and their children. The more children a family has, the more likely they will be forced into the AMT.

What's more, if families hail from high-tax States like Connecticut they are much more likely to be snared, as State, local, and personal property taxes are not deductible under the AMT. I represent the most-taxed state in the nation. This time of year I am hearing more and more about the AMT.

Just last week while participating on a call-in radio program I heard from a constituent of mine from Norwich, Connecticut. Rose Curran and her husband, Dan, did not have to pay

the AMT this year, but they did owe Federal taxes for the first time in years. In going over their return, they discovered the AMT and were curious about what it was. Upon learning more about its current exemption levels, they realized that this supposed "tax for the rich" may well affect them in future years.

Rose is a retired State employee whose only income is social security. Dan is a disabled Vietnam veteran and retired sailor who works now as a civilian at the Subase in Groton. Mr. Speaker, I don't think Dan and Rose Curran would call themselves "rich." But they are concerned that if Dan keeps working at the base they will fall into this tax trap. During my conversation with Rose I urged her to follow up with office and I promised that I would look into this matter.

When I did I was stunned. As one publication put it, this problem is "growing like the monster from the tax lagoon."

Today, the AMT exemption amount for a married couple is \$58,000. However, this relief is scheduled to expire at the end of the year. Without action, the exemption amount will drop from \$58,000 to \$45,000 in 2005—raising taxes on millions of hard-working, middle-income families beginning next year. The exemption for individual payers will drop from \$40,250 to \$33,750 with the same result.

Therefore I have introduced the "Middle-Class Alternative Minimum Tax Relief Act of 2004," to extend through 2005 the AMT relief provided in the 2003 law. This measure will also ensure that those taxpayers that are currently exempt from the AMT will continue to be protected from the AMT because it will be indexed for inflation over the next year.

If my legislation is not enacted, Mr. Speaker, the number of working families affected by the AMT will increase from over 3 million this year to over 11 million in 2005. Let me repeat that—over 11 million Americans will face this surtax next year without action on my bill today. What's more, the 8 million new families paying the AMT will face an average tax increase of \$1,520 according to the Joint Committee on Taxation.

I'm sure that many of my friends here today will say that this won't solve the greater structural problems of this tax and that this is just a temporary fix. There is some truth to that. Thanks in part to the diligent work of people like my colleague from just next door, the gentleman from Massachusetts, Mr. NEAL, we all recognize the seriousness of this issue and the need for a long-term solution. But lets not get so mired in debating how to address the long-range consequences of this problem that we fail to provide this critical extension.

Mr. Speaker, what began as a way to make sure that high-income Americans payed their fair share has today become little more than an unfair surcharge on people who choose to get married, have children and work their way into the middle class. My friends, the fireman and the teacher making around \$65,000 together are not rich. They work hard every day to put food on the table, pay the mortgage, and save for their children's education. They cannot afford high-priced accountants to help them reduce their tax bill. But if this couple has three children and takes the standard deduction, they WILL—according to CRS—pay the AMT next year if we don't act. Lets make sure—with this legislation—that next April people like Rose and Dan Curran do not pay the considerable price of the alternative minimum

tax because we failed to act on their behalf today.

Mr. Speaker, I urge all of my colleagues to join me in support of middle-class Americans like Dan and Rose Curran of Norwich, Connecticut and support the "Middle-Class Alternative Minimum Tax Relief Act of 2004."

Mr. McDERMOTT. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. PASCRELL).

Mr. PASCRELL. Mr. Speaker, my friend from Connecticut has spoken somewhat of the truth, but the anecdotal stories that have been presented on the floor are only an indication of all of the things that are happening throughout the United States, and if we really care about shifting the burden of the alternative minimum tax right now up the scale rather than trying to burden the middle class, then we should do this and be honest with the American people and tell us what the effects are of all the taxes, because we are giving with one hand and we are taking back with the other hand.

Today presents us with yet another cynical ploy of gimmicks and illusions masquerading as long-term tax policy. Indeed, despite the widespread acknowledgment of the urgency for preventing large swaths of the middle class from being sucked into the alternative minimum tax over the next decade, neither the administration nor the leaders in the House or the Senate are willing to propose permanent relief.

Why is that? Is it because some of my friends do not want to acknowledge the overall cost of the AMT? Is it because some of my friends want to make our tragic budget situation seem less grim? Was the decision to provide AMT relief for only 1 year designed to understate the cost of other tax cuts enacted, as well as various pending tax cut proposals, including those to make 2001 and 2003 tax cuts permanent?

I think we all know the answers to the questions. We should. It is unfortunate. For over 3 years, this body has employed deceptive budget stratagems to force through politically infused tax cuts that threaten our Nation's long-term fiscal health, and so it continues.

We should all vote for the Rangel substitute. We should all say enough burden on the middle class. This bill is reported to cost a relatively modest \$17 million, but if we extend it as expected, its actual long-term costs are much higher. Why do we not tell the American public what it will cost, since we want to stretch out the permanent tax cuts for another 10 years? Why do we not tell them what it is going to cost? We do not want to do that because folks are going to ring back and say, oh, my God, that is a lot of money.

Indeed, by proposing a 1-year fix to a perpetual problem, H.R. 4227 purposely obscures not just the long-term costs but also the other tax cuts recently enacted.

Mr. ENGLISH. Mr. Speaker, I yield myself 15 seconds just to say to the gentleman what is fairly clear and Chairman Greenspan recently indicated to us before the Joint Economic

Committee that the tax cuts are working as a tonic for the economy. Clearly they are helping us to expand our tax base and move back toward a balanced budget, and that is fairly clear.

Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. SAM JOHNSON), a member of the Committee on Ways and Means.

Mr. SAM JOHNSON of Texas. Mr. Speaker, the AMT is a sneaky tax. It is a parallel tax system where normal rules of income and deductions do not apply. You lose most of your deductions and your children become a liability.

The bill we are debating today will keep this sneaky tax from taking away the benefit of many of the 2001 tax cuts. However, we are just holding back the tide of the AMT that in 2008 will swamp the tax system and actually collect more money than the rest of the income tax system combined.

Yes, it is going to be cheaper to repeal the entire income tax system than to repeal the AMT. I think this sneaky, destructive tax will finally cause the income tax system to implode.

This bill today will buy us some more time so we can get on with building a consensus on replacing the income tax system. We need to replace our income tax system that is, as my colleagues know, economically destructive, impossibly complex, and overly intrusive. It has impeded our ability to create jobs, encourage savings and investment, and realize the American dream.

When I speak with constituents, the biggest applause line I get is about abolishing the IRS. I think that the system, any replacement, any new system, should reduce the role of the Federal Government, encourage savings and investment, be simple, and most of all, it must be fair. AMT does none of this, and we must repeal it; but until we can repeal it, we must hold harmless those Americans whose taxes are being raised in the next year.

One additional interim step we need to take is to help those trapped in AMT through exercise of incentive stock options or ISOS. In this instance, the AMT requires people who exercise options on their employer's stock to pay tax on phantom profits. Many people stuck in AMT owe tens of thousands or hundreds of thousands of dollars in AMT on phantom profits never realized because the bottom fell out of the market. We cannot justify a tax system where taxes are owed when no gain was ever realized.

I hope we will also be able to fix this inequity as this bill moves through the process; but for sure, we need to get rid of this sneaky tax now.

Mr. McDERMOTT. Mr. Speaker, I yield myself 15 seconds.

The gentleman from Texas talks about this being a sneaky tax sneaking up on people. It is only sneaky because my colleagues would not have hearings. If they would have listened to us when they were passing these tax bills in 1997 and 1998 and 1999 and 2000, we

told them over and over again, we offered these changes that were necessary then and it all happens now. They say we snuck up on them.

Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. ENGEL).

Mr. ENGEL. Mr. Speaker, I thank the gentleman for yielding time to me; and I, too, rise in strong support of the alternative minimum tax reform. In fact, I would go so far as to say, if there was one tax that should be permanently reformed, it would be this one.

First of all, as everyone has mentioned, many middle-income people find themselves caught with this tax. They have plenty of deductions, but they are not allowed to deduct it because they have met the threshold, and it certainly is regressive and should be changed.

In 1969, the tax was put into effect. It has not been modified since it makes no sense whatsoever not to have it indexed to inflation; and again, if there was any tax reform that ought to be made permanent, it should be this tax.

We have heard about other taxes. The estate tax is one with which I do not agree that that tax should be permanently repealed. The estate tax repeal would only benefit the very, very high-income people, and I think they should pay their fair share; but this alternative minimum tax really hits a lot of working people, a lot of middle-class people and is really grossly unfair.

If a person lives in a high-tax State, as was mentioned by my friends from New York and Connecticut, it even hurts and hits them even more so. This tax, as it is currently written, makes no sense at all. I would hope that after this 1-year extension we could put our heads together and come back with something that makes sense, a permanent reform.

While this bill is a step in the right direction many middle class families that are hurt by the AMT, will not be helped by this and will only be helped by a total re-write of the AMT and a permanent reform.

I think on this side of the aisle the point had been made that the Committee Ways and Means, which is the tax-writing committee, ought to have hearings. And after we can finally put together a plan that would reform the AMT permanently for good.

Right now, I will take this quick fix, but we ought to build on to it. We should permanently reform the AMT. It makes no sense whatsoever to keep doing short-term extensions on tax policy that hurts a lot of hardworking families.

Mr. ENGLISH. Mr. Speaker, I first yield myself 15 seconds to thank the gentleman from New York for his presentation. It was very thoughtful. I want to associate myself with his remarks. We appreciate his making this debate very bipartisan, and I welcome him to get involved in our Zero AMT Caucus and try to work on a bipartisan basis to deal with this problem.

Mr. Speaker, it is a great privilege for me to yield 5 minutes to another

gentleman from New York (Mr. HOUGHTON), who has put an extraordinary amount of time in on this issue, the chairman of the Subcommittee on Oversight of the Committee on Ways and Means, my colleague.

□ 1215

Mr. HOUGHTON. Mr. Speaker, I thank the gentleman for yielding me this time, and say to the gentleman from New York (Mr. ENGEL) that we have fought a good fight on many issues, and I am delighted to be associated with the gentleman on this.

Mr. Speaker, I am not going to talk about the alternative minimum tax. People have described it, nobody wants it, we want to get rid of it. The question is how. Do we do it the Democratic way or the Republican way. I happen to believe that H.R. 4227, the bill of the gentleman from Connecticut (Mr. SIMMONS), is the right approach.

I guess the only thing I would hope is that we would not get tangled up in two things: One is we not get tangled up in the politics of this thing. This is a national interest. We could argue back and forth and criticize each other, but the point is people are going to get hurt and we have to stop that. The other thing, I hope we do not get tangled up in procedural issues. This is a procedural House, but the impact is not procedural on people on the outside.

I want to thank the gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from Connecticut (Mr. SIMMONS) for what they have done. The gentleman from Connecticut (Mr. SIMMONS) has really been the watchdog here for a lot of people who could get hurt, and they do not know they could get hurt. The fact that they have been watchful and sensitive to the human condition is very important.

As Members have said, this is a stop-gap measure. But without this, we cannot go to the next leg. The next leg is to get rid of a tax. It is an interesting concept because before 1986, people with large amounts of capital could give that capital away; and, therefore, under provisions of the tax law, would not have to pay any tax. It was not fair and it was not democratic, and that is why this thing came into effect.

But there was no indexing, and that is why this is creeping up and involving enormous numbers of people. There are over 3 million people now, and there will be another 8 million involved. It is a very hurtful tax. I think it is a very good idea. If you want to vote the Democratic proposition, that is fine. I happen to believe what the gentleman from Connecticut (Mr. SIMMONS) has done is right on target. It is essential. It is straightforward, simple, and will benefit everybody. Therefore, I request that Members support the bill, H.R. 4227.

Mr. McDERMOTT. Mr. Speaker, I yield myself such time as I may consume.

I would say to my distinguished colleague, the gentleman from New York

(Mr. HOUGHTON), we are going to miss the gentleman when he leaves Congress. It will be a loss for all of us. The gentleman said this is a tax that nobody wanted. Well, if we take the Democratic alternative and look at it in the Statement of Congressional Findings and Purposes, and mostly Members blow through these bills and never read that. I have a little bit of time, so I would like to say a few things about it.

In 1986, because of tax preferences on oil and gas depletion and a whole lot of things, there were a number of people in this country who made a lot of money who then could write it all off because they had these preferences on oil and gas exploration and so forth. So there was an agreement in this House to put in an alternative minimum tax, believing that every American ought to pay something. No matter how rich or how poor, we believe that each worker should put something in the pot. Here we had these people at the top who figured out how to get rid of it all. So we put the alternative minimum tax in.

Then came the 1990s and we had tax reform. We got rid of all of those preferences. Even when we did that, we still had less than 1 half of 1 percent of taxpayers who paid this alternative minimum tax. It never became a problem until 1997 when we took away the personal deductions and the deductions for kids, and we suddenly swept up a quarter of the people this year. If we look at the projections, we are going to have three-quarters of the people paying this thing at some point down the road.

We could have fixed it along the way, but most people did not want it in the first place, and so they said let us get rid of it. Those people on the top should not have to pay anything if they can figure out how to get out of it. So we have not fixed it.

I give you a tale of two taxpayers. There is one standing here, and I have a wife who works and the two of us make a nice living. We have good salaries. We do not have any children, and we do not pay the alternative minimum tax. And the other thing is I live in Washington State. We do not have a State income tax. A great State to live in. It wants folks to come and visit, but do not stop there and live. We do not have any problem with the AMT.

Mr. Speaker, I am not arguing for myself. I am arguing for these people behind me who live in the District of Columbia. One has two kids, one has four kids. They have to pay it on staff salaries in the House of Representatives. Tell me where is the fairness in that tax structure? How is it my wife and I benefit tremendously from this system, and we clobber the people in the middle class behind us? That is why we are here today.

Obviously, Republicans realize that the people out there are going to find things out when they do their taxes. They start through the form, and if you have an adjusted gross income of

\$58,000, you should begin to figure your taxes in a parallel fashion, the regular income tax form, the 1040, and then there is the alternative minimum tax. So there you are at \$60,000, \$70,000, and you have to figure your taxes twice.

If you ask the IRS, they put out a flyer that says it takes 3 hours and 56 minutes to figure the alternative minimum tax. Now people are filling out their tax forms making \$70,000, a lot are not using accountants, that is their time. So we are putting them through the wringer twice to fill out their taxes because you would not listen.

Now this idea that we will repeal the alternative minimum tax, that is nice. That is a great idea. You know who that helps, well, it helps these people behind me a little bit, but it helps the people at the top. Again, it would be a give-away to the people on the top. I understand what the Republican Party is all about. I believe that is what your goal is. That is a major plank in your platform, is no one who has millions of dollars should pay anything, they know how to use their money, we should let them have it and they will invest it and we will have a lot of jobs.

Well, these tax cuts have not worked in the State of Washington. They have not worked in the State of Washington. We have more people unemployed today than we have ever had. It is the highest long-term unemployment we have ever had since the 1950s, and we are still waiting for the recovery. In February, there were 21,000 jobs created, all government jobs. So the tax cuts did not work except for people who had a lot of money. The next month, March, we had 306,000 jobs. Goodie, we are growing.

The fact is that economists say that it takes 250,000 new jobs every month to simply keep up with the growth in the labor force in this country. So 300,000 is just barely replacement, saying nothing about the 3.5 million that we have lost since President Bush has been in office.

This economy has been an absolute disaster for the middle class and the ordinary working people in this country. This tax structure Republicans have created is awful. We will vote for this today. There is no Member who is not going to vote to put a 1-year patch on it, but it is not being fixed. As a Member said, the way things are going, down the way, you are going to have half the people we are going to have to deal with, and at some point it is going to cost a lot of money.

The other side of the aisle would not fix it in 1997. We tried to tell them, but they were too smart and too full of their own ideas and ideology to look at what they were doing to people, and that is why we are here today. We certainly will all vote for it.

Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the gentlewoman from Michigan (Mrs. MILLER).

Mrs. MILLER of Michigan. Mr. Speaker, I rise today in support of H.R.

4227 to extend the alternative minimum tax relief to our Nation's middle class and working families. This legislation will ensure that almost 8 million Americans are not going to be subject to unfair higher taxes. It is interesting because just last week, I listened to my colleagues on the other side of the aisle. About 100 of them actually voted against the marriage penalty relief. They said that offering this Nation's working families relief from a tax on marriage was inconsequential because these families would be subject to AMT.

H.R. 4227 is a pro-growth, and most importantly, pro-family piece of legislation that will help us fix this problem.

Mr. Speaker, as has been mentioned already several times today, the original intent of AMT provisions in our Nation's Tax Code were designed to prevent high-income taxpayers from using tax deductions, from using write-offs, as well as loopholes from avoiding paying their fair share of taxes. But under the leadership of the Democratic Party prior to 1995 and their obstructive politics since then, the AMT will continue to force hard working middle class families to pay more than their fair share unless something is done.

H.R. 4227 at least offers a temporary fix to this problem until Congress can develop a permanent solution. I commend President Bush and the majority party in Congress for implementing an economic growth package that has all of the economic indices on a positive trend line. Consumer confidence in our economy is on the rise because thanks to the leadership of President Bush, more Americans are able to keep more of their hard-earned money. The President and the Republican majority trust and believe in the American people. By extending relief from the AMT, we can make sure that taxpayers are not paying more than their fair share and they can have money in their pocket to help expand our economy even further.

Mr. Speaker, this House is faced with an important decision today, one that will affect up to 8 million working families. I support this legislation because I support those families. I urge my colleagues to make the right decision and vote to pass this.

Mr. McDERMOTT. Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. HERGER).

Mr. HERGER. Mr. Speaker, I rise in strong opposition to the Rangel substitute. Under the guise of individual tax relief from the alternative minimum tax, or AMT, the Rangel substitute would raise taxes by \$15 billion. This new tax increase would fall squarely on the shoulders of America's small businesses, the same American companies that create jobs and drive our Nation's economic engine.

The tax relief this Congress has passed over the past 3 years has contributed mightily to the economic recovery we are now experiencing. More

than 750,000 jobs have been created in the past 8 months. We have strong economic growth of between 4 and 5 percent, low inflation, and homeownership rates at the highest level ever.

Mr. Speaker, why in the world would we choose to raise taxes on American small businesses just as our economy has turned the corner? Why would we smother the engines of job creation with higher taxes? Yet this is exactly what the Democrat substitute would have us do. Hard-working Americans need relief from the unfair AMT tax, and the majority bill offered by the gentleman from Connecticut (Mr. SIMMONS) will give it to them.

Without passage of the majority bill, an additional 8 million middle income taxpayers will see their Federal taxes rise because of the AMT next year.

□ 1230

We cannot allow this to happen. Let us reject the Democrat substitute and pass the underlying bill. Americans deserve relief from the AMT tax, not new taxes.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mrs. BLACKBURN).

Mrs. BLACKBURN. Mr. Speaker, I came to Washington to work on several issues, one of which is the sales tax deduction. Tennesseans know my record on tax fairness. I have been working with the gentleman from Texas (Mr. BRADY) to put that sales tax deduction issue on the map. I am glad to see that we have got some folks on the other side of the aisle that are coming in here and ready to help us with this debate. Like my mom always said, better late than never.

Unfortunately, true to form, their proposal, the Democrat proposal is a classic political bait and switch. They are talking about supporting a sales tax deduction while they are hiding the fact that their motion to recommit contains a tax increase. Tennesseans are not going to buy that kind of gimmickry. Whenever you make that kind of bargain, the end result is always higher taxes.

Today we are talking about the AMT, the alternative minimum tax. One of my Democrat colleagues said he never hears from constituents about the AMT, that they do not know what it is. He might be right. There are millions of middle-income taxpayers that do not know what is coming, that 11 million of them will be hit with an average tax increase of \$1,520. So let us come back in a year and tell these people they do not know what the AMT is. They are going to know. They will know that they have been walloped with a \$1,500 tax hike if we do not take action right now. They will be angry because people opposed the Republican plan that is supported today.

My friends across the aisle claim that their motion to recommit addresses the tax hike. Where were they when President Clinton raised taxes and failed to adjust the AMT for inflation?

They had their chance to act then, and they failed. People back home need to ask themselves who do they trust on the tax policy; who has been consistently on the side of the taxpayer. It is an easy call. Democrats only talk about tax relief in election years. Republicans talk about tax relief every year.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New Hampshire (Mr. BRADLEY).

Mr. BRADLEY of New Hampshire. Mr. Speaker, I would like to salute the leadership of the gentleman from Pennsylvania (Mr. ENGLISH) on this issue.

Mr. Speaker, what we face with the alternative minimum tax is a sleeping giant, a sleeping giant that is starting to wake up and gobble the hard-earned funds of millions of American taxpayers. Today it is 3 million taxpayers; but tomorrow if we do not pass this legislation, it will be 11 million taxpayers. And if we do not have the time necessary to have a longer-term solution for the alternative minimum tax, by the end of the decade it will be 30 million taxpayers, one in three Americans, will fall victim to this tax that was originally designed to catch about 150 very wealthy Americans that did not pay their fair share of taxes.

What we have today, though, with the alternative minimum tax is a situation where middle-income Americans will be paying more than the wealthier Americans because they lose their personal exemptions, they lose the exemption for State and local taxes, and they lose the exemptions for itemized deductions. Most of the benefits of the tax cuts in 2001 and 2003 will be evaporated for these taxpayers; and for anybody that has had to go through the alternative minimum tax, the compliance costs of having to fill out taxes in a dual universe, the normal way and the alternative minimum way, is much higher.

Mr. Speaker, I urge my colleagues to support H.R. 4227 and allow us this year of time to have a long-term solution to fix the alternative minimum tax.

Mr. ENGLISH. Mr. Speaker, I reserve the balance of my time with the right to close.

Mr. MCDERMOTT. Mr. Speaker, I yield myself the balance of my time.

One of the problems here in the House on an issue like this is that it is hard to have a real debate because we do not set it up as a debate. We really are having a bunch of 2-minute speeches, and nobody ever gets to answer anybody back and forth. The gentleman from Pennsylvania (Mr. ENGLISH) is an honorable Member and, I think, is just wrong on this issue. I do not bear him any ill will, but one of the interesting things about this is one of the more recent Members who came out here was the gentleman from California (Mr. HERGER). He went on about the fact that the Democratic alternative is going to cost \$17 billion. This is a time

at which the Republican management of the economy has developed the biggest deficits in a very long time. We are going to have to raise the Federal debt limit again. We are going to have to sell more bonds to the Chinese. We are going to have to sell more bonds around the world to keep our economy afloat than ever before.

The gentleman from California's complaint about the gentleman from New York (Mr. RANGEL) is that the gentleman from New York has come in here and said, you know, I think we ought to pay for this bill. We ought to pay for it. The gentleman from Pennsylvania (Mr. ENGLISH) and his colleagues are not interested in paying for it. They just want to throw it on the credit card, another \$17 billion onto their kids and their grandchildren. I just had a grandchild born last August, so for the first time I am really thinking about grandchildren. I used to just think about my kids. But now I am looking two generations down the road. It is no problem for the gentleman from California and the gentleman from Pennsylvania and other Members to say, Hey, throw it to the kids. Let's not pay for it.

You have done that since 1996. The mess we are in is directly related to what you have done. When President Bush took over, we had some kind of surplus, I forget, \$200 billion; and we are now going into the hole at least \$400 billion or \$500 billion every year. When the gentleman from New York comes out here and says I would like to pay for it, he gets criticized. That is called raising taxes. No, it is being fiscally responsible.

The gentleman from New York is no wild-eyed liberal. You think he is, but you have never looked at the proposal he made. He reached over across the hall here into another place and took a provision from the Finance chairman in the United States Senate. The provisions that he put in are offsets that are contained in the provisions of a tax abusive transactions bill from the Senate Finance Committee written by a Senator from over there. I cannot name him. The offsets are not tax increases. They are provisions designed to ensure that corporations cannot use aggressive tax shelter transactions to avoid the taxes they pay.

So the charge that the gentleman from New York is trying to raise taxes is simply misleading, to be very generous. I am sure we will see advertisements going all over, well, you know, the Democrats tried to raise taxes on you another \$17 billion, and we stopped them. They are not going to tell you about what it is going to cost your kids and your grandchildren in terms of interest rates and what is going on in this economy.

The first group of offsets that the other body came up with are designed to curtail tax shelters by clarifying the economic substance doctrine. People back home, I am sure their eyes are crossed by now, but some of you people

ought to be thinking about it. Increased reporting and penalty provisions. The economic substance doctrine is a rule of law that denies artificial losses or other tax benefits from transactions that have no business purpose or profit motive. It is the usual shenanigans of tax attorneys. Even a Republican in the other body thinks that ain't right. But, no, people over here say, oh, no, we can't do that, we can't tighten up. Oh, no, no, no. All those tax attorneys will have to go out there and find another way to take it away from the middle class and give it to the rich. They apply to transactions with no substance other than tax avoidance.

That is what the gentleman from New York's bill does. He says, let's get people to pay their fair share. If we did, we could do this alternative minimum tax. In fact, we could do more. His bill actually says that if you have a combined adjusted gross income of \$250,000, if you are less than that, you do not even have to look at this. That would take millions of people off the rolls. But the Republicans want to leave it so that everybody has to be at \$58,000 and start into this alternative plan.

The IRS says the record-keeping for that is 19 minutes. Then they say it takes an hour and 14 minutes to read the law and understand it. This is the IRS telling the taxpayers: it is going to take you an hour and a quarter to read this law and figure it out. Then it takes an hour and 49 minutes to actually figure it. And then copying and assembling and sending the form takes another 34 minutes. That is where we get the 4 hours.

You are putting a half a day's work on the American public because you will not consider an alternative from the Democrats. You will not have a hearing to find out whether this is a better proposal or not, because all wisdom resides on that side of the aisle. And it is really wonderful to stand in the presence of people who know everything; but the problem, the reason you got into this mess is because you would not listen to anybody else and you are still in the mess because you will not listen to anybody else. The fact is that your own people, a guy from Iowa, my gosh, he is a wild liberal, right? Head of the Senate Finance Committee. He comes up with this, and you think it is no good.

The fact is that this is a big problem that we need to work on together. If there were any bipartisanship at all on the Committee on Ways and Means, we could get something done. But if it is going to be done all by one side, where the ideology is we have to give it all to the people at the top and we cannot worry about what happens to the middle class, then we are going to continue to have these kinds of deals. If, God forbid, you are still in charge next year, you will be out here with a bill just like this with a bigger problem and a bigger cost and more money into the deficit.

The question that really is sitting here today is, when is the Republican

majority going to face up to the hole in the tax structure that you have dug and into which you have thrown all the people? You gave pittances, \$676 average, for the average family and \$112,000 for the people at the top. Do you think there is a millionaire in this country who needs \$112,000? I mean, seriously. How could anybody come out here and support that, given the problems we have in this country right now? Spending \$200 billion on a war that never should have happened in the first place, led into it by a President who stood right here and misled us, and you are throwing money out the door every way we can imagine; and you will not face what you are doing economically.

I really pray, I really do pray that the day never comes when Europe stands up or the Japanese or the Chinese stand up and say, we are not buying any more of that worthless paper from the United States.

The SPEAKER pro tempore (Mr. SIMPSON). The time of the gentleman has expired.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Members are reminded that remarks in debate in the House may not cite the views of Senators. Sponsorship may be identified, but further characterization is not in order.

Mr. ENGLISH. I presume, Mr. Speaker, that also means that we cannot mischaracterize them.

Mr. Speaker, I yield myself the balance of my time.

This has been a useful debate because I think in an odd way it has highlighted a couple of things. First of all there is a consensus in this Chamber behind the bill that the gentleman from Connecticut (Mr. SIMMONS) has put forward. There will be a substitute offered. I will have ample opportunity and grounds to criticize that substitute when it is offered, but for now I think what needs to be emphasized here is that in the end both parties are committed to at least moving forward on this very limited bill. I wish we were doing more today, but the fact is, this is probably the best we could agree on in the gridlock that exists in the institution right now.

I would like to use some of my time to respond to some of the points that were made by the other side. First of all, let us be clear. This bill is not about the war. It is not really about the deficit in the sense that I think it is fairly clear and I would hope people on both sides could agree that we do not need revenue from this source. We can come up with spending cuts, and we can come up with alternative revenue sources to deal with this.

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We do not need the revenue applied from applying an AMT that was intended to be applied originally only to a very narrow band of very wealthy taxpayers, applying it to the middle class.

Some strange things have been said here and I would like to respond to

them. First of all, this problem was not created by the Republicans. This was created back in 1986 when a tax reform passed when the other body controlled the Chamber, and in all the time that they controlled the Chamber afterward, they did nothing to deal with this problem. In fact, in 1993, they voted to actually increase the burden of the AMT. And we have heard from a number of speakers today who purport to be against the AMT, but actually who voted for that increase.

It has been said by the distinguished gentleman from Washington, my friend, that Republicans do not know what they are doing. I would submit to the Members when this AMT was put in place without any provision for how inflation would move and more taxpayers into AMT status, they knew what they were doing. They wanted the revenue. They wanted to apply a progressively higher tax burden to the American people and use that future revenue in order to justify a higher level of spending and an expansion of the welfare state.

We in this Chamber today are committed to moving forward to making sure that a new heavier tax burden is not applied to taxpayers next year and that next year taxpayers do not face a bait and switch on some of the key provisions that we have passed. That I would submit is really what the Republican Party is all about.

And as for Republican management of the economy, I am proud to associate myself with Republican management of the economy at a time when clearly responsible economists agree the tax policies enacted in this Congress supported by this administration are having the effect of lifting the economy, not as much as I would like right now in my district, but clearly turning around the slowdown that we had experienced that we inherited from the last administration and providing a significant prospect of new jobs and new economic growth and new dynamics that are going to provide opportunities for working families in the coming months. We recognize that we need to do more, and this Congress is clearly committed to doing that. And yet we need to agree at very least today to pass this provision.

I am very proud to support this bill as introduced by the gentleman from Connecticut (Mr. SIMMONS) that provides some relief to middle class taxpayers, to make sure that they have access to the relief that we promised them so that we can continue to grow the economy, that we can continue to create opportunities, that we can continue to provide some relief to families that have children and that are eligible and should be eligible for the tax credit that we have passed in this Chamber.

This is to me a critical issue of tax equity. We need to be prepared to guarantee to middle class families that they do not face a higher burden because of a stab in the back called the AMT, that they are not hit on tax day

with an unexpected tax burden, that they are not required to recalculate their taxes accordingly. We have an opportunity today to strike a real blow for tax equity for the middle class.

With that, I hope we pass this bill.

Mr. HOLT. Mr. Speaker, the Alternative Minimum Tax (AMT) is a terrible burden on middle class taxpayers and the middle class should be excluded from the AMT.

Once again, however, the Republican leadership is using budget gimmicks to hide the real cost of their tax cut and doing nothing to offset it. While the proposed AMT relief bill carries an official cost of \$17 billion, its actual long-term costs are much higher: \$549 billion over ten years, or \$658 billion if the added interest costs on the national debt are taken into account. Indeed, by proposing a one-year "fix" to a perpetual problem, H.R. 4227 purposefully obscures not just the long-term cost of AMT reform. Ignoring these long-term costs irresponsibly undermines our ability to adequately plan for the future. It costs the future generation, as well as the present economy.

More unpaid-for tax cuts will not only jeopardize critical public services now, but they will also hurt Americans well into the future. Massive deficits now create large debt and high interest payments that will crowd out spending on public investments for future generations. Moreover, these deep deficits threaten to increase interest rates in the future—making it harder for Americans to buy homes and afford higher education, and making it harder for business to raise capital.

This is why I support the Democratic alternative to relieve the burden of the AMT on middle class taxpayers. The substitute would provide temporary relief from the AMT that is more broad and simpler than the relief contained in H.R. 4227. The substitute would simply eliminate AMT liability for all taxpayers whose adjusted gross income is less than \$250,000 (\$125,000 for single taxpayers). Above those income levels, AMT liabilities would be phased in over a \$40,000 range (\$20,000 for single individuals).

The substitute would provide a framework for total reform of the AMT. It would require the Secretary of the Treasury to promptly submit legislative recommendations to the Congress, and it would require the Committee on Ways and Means to act on those recommendations this summer. It is time for the Congress to be honest with the American taxpayers and proceed with real AMT reform.

Moreover, the substitute would be revenue neutral. Its cost would be offset by restricting certain tax shelters, which has already passed the Senate on a bipartisan basis. The AMT was designed to ensure that all taxpayers pay a minimum amount of tax and, in effect, limited the ability to use tax loopholes. The substitute would directly address those tax avoidance transactions, thereby minimizing the need for the minimum tax and provide relief for the middle class families of my district.

We cannot continue to pretend that the AMT problem will go away on its own and to make major policy decisions based on the reckless unrealistic assumption that it will. We must work toward a long-term, fully paid-for solution that protects our ability to fund critical national priorities and allows us to make realistic plans for the future.

Mr. KIND. Mr. Speaker, I strongly support providing relief to middle-income Americans

from an encroaching Alternative Minimum Tax (AMT).

Without action this year to extend the current AMT exemption levels passed in 2003, millions of Americans will feel the AMT crunch in 2005. While the AMT was enacted in 1969 to prevent high-income earners from using loopholes in the tax code to avoid paying their fair share, the AMT is increasingly becoming an unfair tax burden on millions of middle-income Americans. Because of factors including inflation and income tax reductions, the complex calculations used by individuals and couples to determine if they must pay any AMT have adjusted and now unfairly punish middle-income families, particularly those with children in high-tax states.

For the third year in a row, the Internal Revenue Service's Taxpayer Advocate Service's Report to Congress lists AMT encroachment as the most serious problem encountered by taxpayers. The AMT now impacts more than 2.4 million Americans. Unless reformed, the AMT will impact 12.4 million in 2005 and more than 30 million Americans in 2010. On top of that, even more taxpayers will be forced to perform intense computations to determine if AMT applies to them.

While the majority of the 2003 tax proposal that passed the House was fiscally irresponsible and designed to benefit only the wealthiest of Americans, its provision providing increased AMT exemptions in 2003 and 2004 had bipartisan agreement. However, while everyone seems to agree that the AMT needs to be reformed, the President's budget for fiscal year 2005 again covered up the full cost of fixing the AMT—estimated by the CBO at over \$500 billion—by proposing another one-year extension. A comprehensive, bipartisan proposal is long overdue to address the problems of the AMT, and it is important that Congress account for this necessary reform in its budget resolutions.

As we reform the AMT to provide relief to middle-income Americans, we need to act in a fiscally responsible manner. It is unfair to Americans today, and especially the next generation, to delude ourselves by thinking the record budget deficits facing our nation, estimated by the White House at over \$500 billion this year alone, will simply go away.

As a member of the House Budget Committee, I supported a budget resolution that allows for extending AMT relief while still reducing the deficit. This approach requires tough choices, prioritization, and a bipartisan commitment to helping working families. With the House-Senate conference committee still negotiating the budget resolution for fiscal year 2005, I remain hopeful that we will be able to provide Americans continued tax relief today without raising the debt burden on our children's generation.

The substitute offered today by Representative NEAL is a more responsible bill that will provide relief to more than 10 million families while not increasing the budget deficit. By closing corporate tax shelters, the Neal substitute provides a responsible offset to benefit more American families without burdening our children with added debt that they will have to pay off. Further the Neal substitute unambiguously and completely exempts married couples with incomes under \$250,000 from the AMT. This is a superior approach, helps more Americans, and ensures most middle income taxpayers will not have to worry about the AMT.

Mr. Chairman, it is important that we act today to ensure average income Americans will not unfairly face the alternative minimum tax in 2005. However, I believe we can and must provide this relief in a fiscally responsible manner that will not burden future generations of Americans. Just as it was true last week when we passed legislation permanently repealing the marriage penalty tax, our work is far from over in helping working families face the challenges of today's economy. We must come together in a bipartisan manner to craft a fiscally responsible budget resolution.

Ms. KILPATRICK. Mr. Speaker, today we are considering H.R. 4227, the Middle-Class Alternative Minimum Tax (AMT) Relief Act. I have considered the merits of the legislation and concluded that the base bill offered by the Republican majority needed to be amended. I voted aye to the Neal-Bishop-Israel substitute, that would have exempted married couples making \$250,000, and singles making \$125,000, from paying the alternative minimum tax. The substitute would have been offset by cracking down on corporate tax shelters and tax avoidance schemes used by corporations like Enron. The current budget deficit has been fueled by unprecedented tax cuts that have erased a surplus in excess of \$200 billion when the Bush administration took office. Given the loss of 2.6 million private-sector jobs over the last three years, I and my fellow Democrats believe tax cuts should not add to the record budget deficits, because ballooning deficits threaten economic growth, raise interest rates, and cost jobs. That is why the Democratic alternative targeted tax cuts—providing more tax relief to the millions of families with children in high-tax states with incomes under \$250,000.

I was also concerned by facts provided by Ways and Means staff that indicated the base bill is expected to reduce federal revenue by approximately \$17 billion to \$18 billion over 10 years, and none of the provisions in the bill were accompanied by any offsets.

The substitute provided the framework for total reform of the AMT. It would have been paid for, and would have provided AMT relief that is broader and simpler than the relief contained in H.R. 4227. The substitute eliminated AMT liability for all taxpayers whose income is less than \$125,000 for single taxpayers and \$250,000 for married couples. Above those income levels, AMT liabilities would be phased in over a \$20,000 range for single taxpayers and a \$40,000 range for married couples. The cost of the substitute was roughly \$19 billion and would have been offset by restrictions on tax shelters that have been supported by House Democrats as offsets in other substitutes that have been approved in the Senate on a bipartisan basis.

I opposed H.R. 4227 because it did not provide a sufficient level of tax relief to my constituents.

Mr. STARK. Mr. Speaker, I rise today to oppose H.R. 4227, the "Middle-Class Alternative Minimum Tax Relief Act of 2004," and in support of the Democratic substitute that provides real relief for middle-class families.

The alternative minimum tax, AMT, was designed to ensure high-income taxpayers did not thwart the system and avoid their share of the tax burden. But once again, the Republicans are on the floor with a tax proposal favoring the wealthy over the middle class, penalizing hard working Americans raising families. We should not mortgage our future with

tax policies that will merely pass on the ever-increasing debt to our children.

Despite its title, the Republicans are offering a bill that does not provide effective AMT relief for lower-income households and those families claiming the dependent care credit. In addition, the irresponsible AMT relief proposed by the Republicans is not paid for with any offsetting revenue increases or spending cuts.

In contrast, the Democratic substitute provides AMT relief to more households than the Republican bill and gives increased relief to low-income households—especially those claiming the dependent care credit. This tax relief for real middle-class families is paid for with new restrictions on corporate tax shelters. The Republicans call this a tax hike, but it is actually the most responsible way to provide effective middle-class tax relief without adding to the national debt.

The Democratic substitute provides AMT relief to 10.2 million households, a full 1 million more than the GOP proposal. Married households below \$250,000 adjusted gross income will be completely excluded from the AMT under the Democratic substitute, while the Republican bill gives big breaks to those over \$250,000 who obviously need tax relief the least—and have already most benefited from the Bush tax cuts.

I urge my colleagues to vote against the inadequate Republican proposal and support the Democratic substitute, which provides AMT relief for American families who need it most.

Ms. DELAURO. Mr. Speaker, the alternative minimum tax, AMT, is a huge and growing burden on a middle class that is already burdened by a tough economy and the loss of 2.6 million private sector jobs. Originally designed to make sure everyone paid their fair share by limiting excessive tax shelters for wealthy families, the AMT has become a tax penalty for families with children who live in high-tax States. By 2010, 30 million Americans will be faced with minimum tax liability, as compared to about 3 million today and 1 million in 1999.

Everyone in this chamber agrees that something must be done to ease this burden on the middle class. And let me make clear—Democrats have a long track record of supporting real tax relief for the middle class. Unfortunately, this bill represents a band-aid approach to what has been deemed by the IRS's National Taxpayer Advocate as the Nation's top tax problem.

Under the Republican bill, 1 million families would still be paying the AMT. A two-income family with four children in a high-tax State would be hit by the alternative minimum tax even if their income is only \$95,000. And their bill would extend AMT relief for just 1 year—meaning taxes on millions of middle class families will go right back up in 2006.

The Congressional Budget Office estimates that a true fix of the AMT would cost \$376 billion over 10 years. But Republicans have refused to step back on their tax cuts for the wealthy, which have created a \$3 trillion deficit, in order to pay for this essential middle class tax relief.

Today Democrats bring to the House floor a true solution to the AMT problem. The Democratic substitute completely exempts married couple families with incomes under \$250,000 from the alternative minimum tax, providing tax relief to more than 10 million families, particularly those with children in high-tax States.

Compared to the Republican bill, it provides more relief to 1 million additional families.

And, the Democratic plan is fully paid for by cracking down on corporate tax shelters. As nearly two-thirds of corporations paid no tax at all in 2000, this is an important step to ensuring that corporations pay their fair share while relieving middle class families from the unfair burden of the alternative minimum tax. The middle class does not benefit by adding to our already ballooning budget deficit and further threatening economic growth.

I urge my colleagues to support true AMT tax relief for middle class families, without adding to the budget deficit, by supporting the Democratic plan.

Mr. FRELINGHUYSEN. Mr. Speaker, today I rise in support of H.R. 4227, which extends through 2005 the higher alternative minimum tax exemption amounts enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This important piece of legislation will prevent a tax increase on middle class families next year.

The fact of the matter is if Congress does not act this year, taxpayers will feel the burden of a significant tax increase.

The alternative minimum tax hits the residents of northern New Jersey the hardest, especially those who are considered middle-class, because it doesn't allow for a deduction of our State's outrageously high property taxes. In 2001 and 2003, Congress took steps to present middle-class families from falling deeper into the AMT trap. The legislation the House has before it today continues in that tradition, ensuring that working families throughout northern New Jersey and the country are not hit with a tax increase in 2005.

Created more than 30 years ago, this out of date tax was meant to prevent high-income taxpayers from using multiple-tax deductions and write-offs to avoid paying income taxes. In 1993, President Clinton increased the AMT and did not index it for inflation. As a result, more and more middle-income taxpayers are now forced to pay the AMT.

As you know, H.R. 4227 extends through 2005 the higher AMT exemption amounts enacted last year (\$58,950 for joint filers and \$40,900 for single taxpayers) and adjusts these amounts for inflation to protect their value.

Without enactment of this legislation, the current exemption amounts will automatically fall in 2005 to \$45,000 for married couples and to \$33,750 for single taxpayers. As a result, the Joint Committee on Taxation reports 11 million taxpayers would be hit with an average tax increase of \$1,520.

I would hardly say by today's standards, a family making \$45,000 is considered "rich."

Mr. Speaker, I recognize that H.R. 4227 is a short term fix to a long term problem which must be addressed. I understand the Committee on Ways and Means is exploring ways to correct this inequity in a more permanent way and I look forward to voting on that legislation.

But for now, I urge my colleagues to build on our ongoing efforts to provide tax relief for all hard working Americans. Let's pass H.R. 4227 today.

Mr. BALLENGER. Mr. Speaker, I am happy to come to the floor today in support of lowering taxes on American families—all American families. The Democrat substitute basically says that it's O.K. to cut taxes on some

American families, but that other American families should have to pay for those tax cuts. Mr. Speaker, that's not tax cut at all.

As everyone in this body knows, the Alternative Minimum Tax was enacted to prevent the wealthiest taxpayers from using loopholes to avoid paying any federal taxes. Today, the AMT doesn't just affect the rich, but hits a substantial portion of middle-income Americans. The 2001 and 2003 tax relief bills increased the AMT exemption to help deal with this problem. However, this needed relief is scheduled to expire at the end of this year. If we do not act today, 11 million middle class taxpayers will experience an average tax increase of \$1,520 next year.

Mr. Speaker, we can't allow the AMT to take away everything Congress and President Bush have done to lower the tax burden on American families. We also shouldn't force some Americans to pay for other American's tax cuts. I urge my colleagues to defeat the Democrat substitute and extend the AMT exemption by voting for the underlying bill, authored by my Republican colleague and friend, Representative ROB SIMMONS.

Mr. ENGLISH. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). All time for debate on the bill has expired.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. Is the gentleman a designee of the gentleman from New York (Mr. RANGEL)?

Mr. NEAL of Massachusetts. Yes, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. NEAL of Massachusetts:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the "AMT Reform Act of 2004".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Statement of Congressional findings and purposes.

**TITLE I—TEMPORARY RELIEF FROM THE ALTERNATIVE MINIMUM TAX; FRAMEWORK FOR REFORM**

Sec. 101. Temporary relief from the alternative minimum tax.

Sec. 102. Framework for reform.

**TITLE II—RESTRICTIONS ON TAX SHELTERS**

Subtitle A—Provisions Designed To Curtail Tax Shelters

Sec. 201. Clarification of economic substance doctrine.

Sec. 202. Penalty for failing to disclose reportable transaction.

- Sec. 203. Accuracy-related penalty for listed transactions and other reportable transactions having a significant tax avoidance purpose.
- Sec. 204. Penalty for understatements attributable to transactions lacking economic substance, etc.
- Sec. 205. Modifications of substantial understatement penalty for non-reportable transactions.
- Sec. 206. Tax shelter exception to confidentiality privileges relating to taxpayer communications.
- Sec. 207. Disclosure of reportable transactions.
- Sec. 208. Modifications to penalty for failure to register tax shelters.
- Sec. 209. Modification of penalty for failure to maintain lists of investors.
- Sec. 210. Penalty on promoters of tax shelters.
- Sec. 211. Increases in penalties for aiding and abetting understatements.
- Subtitle B—Enron-Related Tax Shelter Provisions
- Sec. 221. Limitation on transfer or importation of built-in losses.
- Sec. 222. No reduction of basis under section 734 in stock held by partnership in corporate partner.
- Sec. 223. Expanded disallowance of deduction for interest on convertible debt.
- Sec. 224. Expanded authority to disallow tax benefits under section 269.
- Sec. 225. Modification of interaction between subpart F and passive foreign investment company rules.

## SEC. 2. STATEMENT OF CONGRESSIONAL FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds the following:

(1) The current alternative minimum tax (hereinafter referred to as the "AMT") was enacted in 1986 with the stated purpose of ensuring that individuals with relatively large incomes would pay some minimum amount of Federal income tax, notwithstanding the fact that the individuals could have used otherwise allowable tax preferences to reduce their regular tax to zero.

(2) The AMT, when enacted, affected a very small percentage of individuals. Approximately 0.1 percent of all individuals were subject to the AMT in 1987.

(3) During the 1990's virtually all items that have been traditionally considered to be tax preferences were removed from the AMT.

(4) As a result, virtually all AMT liability now is attributable to 3 items that few people would consider to be tax preferences: the deduction for personal exemptions, the deduction for State and local taxes, and miscellaneous itemized deductions.

(5) In 1993, adjustments to minimum tax rates were made to correspond to adjustments made in regular income tax rates. The 1993 legislation also increased the amount of the AMT exemption.

(6) The percentage of individuals subject to the AMT did not increase as a result of the 1993 changes. The percentage in 1992 was 0.3 percent. It was 0.3 percent in 1994.

(7) The first significant increase in the percentage of individuals paying the AMT occurred by reason of the Taxpayer Relief Act of 1997. Some of the benefits of the capital gains tax reduction provided in the 1997 Act were taken back by the AMT. As a result of the 1997 Act, the percentage of individuals paying the AMT doubled in less than 2 years.

(8) Even after the impact of the 1997 Act, the number of individuals subject to the AMT was extremely small until the enactment of the tax reductions by the Economic Growth and Tax Relief Reconciliation Act of

2001. Less than 1 percent of individuals were subject to the AMT before 2001.

(9) The Economic Growth and Tax Relief Reconciliation Act of 2001 contained reductions in the regular income tax rates but not in the minimum tax rates. As a result, the number of individuals subject to the AMT is projected to skyrocket. In the future—

(A) 92 percent of all households with income between \$100,000 and \$500,000 will be subject to the minimum tax;

(B) 73 percent of households with income between \$75,000 and \$100,000 will be subject to the minimum tax; and

(C) 37 percent of households with income between \$50,000 and \$75,000 will be subject to the minimum tax.-----

(10) The AMT has a substantial marriage penalty that has never been addressed by recent "marriage penalty repeal" legislation. Married couples are 20 times more likely to be on the minimum tax than single individuals.

(11) More than one-half of the promised tax reductions in the recent marriage penalty bill passed by the House of Representatives will be taken back by the AMT.

(12) The AMT disproportionately applies to families with children. Ninety-seven percent of families with children and with incomes between \$75,000 and \$100,000 will be subject to the AMT.

(13) The current AMT means that many of the tax reductions enacted in 2001 and 2003 are essentially temporary regardless of whether Congress makes them permanent by repealing the sunset contained in the 2001 Act. On average, the AMT will take back—

(A) 15.3 percent of the benefits of the recent tax cuts from families with incomes between \$50,000 and \$70,000;

(B) 37.2 percent of the benefits from families with incomes between \$75,000 and \$100,000;

(C) 65 percent of the benefits from families with incomes between \$100,000 and \$200,000; and

(D) 71.8 percent of the benefits from families with incomes between \$200,000 and \$500,000.

(14) Only extremely wealthy taxpayers will retain most of the benefits of the recent tax cuts. Taxpayers making more than \$1,000,000 will find only 8 percent of their tax reductions taken back by the AMT.

(15) The Bush Administration's Fiscal Year 2005 Budget recommends that the recent tax reductions be made permanent. Accomplishing that goal requires a total reform of the AMT.

(b) PURPOSE.—It is the purpose of this Act to—

(1) provide significant temporary relief from the alternative minimum tax; and

(2) to provide a framework for a total reform of the alternative minimum tax.

## TITLE I—TEMPORARY RELIEF FROM THE ALTERNATIVE MINIMUM TAX; FRAMEWORK FOR REFORM

### SEC. 101. TEMPORARY RELIEF FROM THE ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Section 55 (relating to alternative minimum tax imposed) is amended by adding at the end the following new subsection:

"(f) EXEMPTION FOR INDIVIDUALS FOR TAXABLE YEARS BEGINNING IN 2005.—For any taxable year beginning in 2005, in the case of an individual—

"(I) IN GENERAL.—The tentative minimum tax of the taxpayer shall be zero if the adjusted gross income of the taxpayer (as determined for purposes of the regular tax) is equal to or less than the threshold amount.

"(2) PHASEIN OF LIABILITY ABOVE EXEMPTION LEVEL.—In the case of a taxpayer whose adjusted gross income exceeds the threshold

amount but does not exceed \$145,000 (\$290,000 in the case of a joint return), the tax imposed by subsection (a) shall be the amount which bears the same ratio to such tax (determined without regard to this subsection) as—

"(A) the excess of—

"(i) the adjusted gross income of the taxpayer (as determined for purposes of the regular tax), over

"(ii) the threshold amount, bears to

"(B) \$20,000 (\$40,000 in the case of a joint return).

"(3) THRESHOLD AMOUNT.—For purposes of this paragraph, the term 'threshold amount' means \$125,000 (\$250,000 in the case of a joint return).

"(4) ESTATES AND TRUSTS.—This subsection shall not apply to any estate or trust."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

### SEC. 102. FRAMEWORK FOR REFORM.

(a) RECOMMENDATIONS BY THE SECRETARY OF THE TREASURY.—Not later than 30 days after the enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate detailed legislative recommendations designed to reform the alternative minimum tax. Unless the Secretary determines that it is not feasible, such recommendations shall include changes designed to ensure that the percentage of individuals paying the minimum tax would be reduced to the level in effect before the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (which is less than 1 percent). The Secretary shall include with such recommendations estimates of their revenue cost.

(b) ACTION BY COMMITTEE ON WAYS AND MEANS.—Not later than August 1, 2004, the Committee on Ways and Means of the House of Representatives shall report legislation providing permanent reform of the alternative minimum tax. Such legislation shall be designed so that the percentage of individuals subject to the minimum tax will be restored to the level in effect before the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (which is less than 1 percent).

## TITLE II—RESTRICTIONS ON TAX SHELTERS

### Subtitle A—Provisions Designed To Curtail Tax Shelters

#### SEC. 201. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

"(n) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

"(1) GENERAL RULES.—

"(A) IN GENERAL.—In any case in which a court determines that the economic substance doctrine is relevant for purposes of this title to a transaction (or series of transactions), such transaction (or series of transactions) shall have economic substance only if the requirements of this paragraph are met.

"(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

"(i) IN GENERAL.—A transaction has economic substance only if—

"(I) the transaction changes in a meaningful way (apart from Federal tax effects) the taxpayer's economic position, and

"(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

In applying subclause (II), a purpose of achieving a financial accounting benefit

shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

“(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

“(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

“(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

“(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

“(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

“(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

“(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

“(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party's economic income or gain, or

“(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

“(C) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(D) TREATMENT OF LESSORS.—In applying paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease—

“(i) the expected net tax benefits with respect to the leased property shall not include the benefits of—

“(I) depreciation,

“(II) any tax credit, or

“(III) any other deduction as provided in guidance by the Secretary, and

“(ii) subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

“(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

**SEC. 202. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.**

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

**“SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.**

“(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be \$50,000.

“(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be \$100,000.

“(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

“(A) IN GENERAL.—In the case of a failure under subsection (a) by—

“(i) a large entity, or

“(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

“(B) LARGE ENTITY.—For purposes of subparagraph (A), the term ‘large entity’ means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of \$10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

“(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term ‘high net worth individual’ means, with respect to a reportable transaction, a natural person whose net worth exceeds \$2,000,000 immediately before the transaction.

“(c) DEFINITIONS.—For purposes of this section—

“(1) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

“(2) LISTED TRANSACTION.—Except as provided in regulations, the term ‘listed transaction’ means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

“(d) AUTHORITY TO RESCIND PENALTY.—

“(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

“(A) the violation is with respect to a reportable transaction other than a listed transaction,

“(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

“(C) it is shown that the violation is due to an unintentional mistake of fact;

“(D) imposing the penalty would be against equity and good conscience, and

“(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

“(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner's sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

“(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

“(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

“(A) the facts and circumstances of the transaction,

“(B) the reasons for the rescission, and

“(C) the amount of the penalty rescinded.

“(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

“(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

“(B) a description of each penalty rescinded under this subsection and the reasons therefor.

“(e) PENALTY REPORTED TO SEC.—In the case of a person—

“(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

“(2) which—

“(A) is required to pay a penalty under this section with respect to a listed transaction,

“(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

“(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

“(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.”

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

“Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

**SEC. 203. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.**

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

**“SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.**

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

“(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(i) IN GENERAL.—The term ‘reportable transaction understatement’ means the sum of—

“(A) the product of—

“(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer’s treatment of such item (as shown on the taxpayer’s return of tax), and

“(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

“(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer’s treatment of an item to which this section applies (as shown on the taxpayer’s return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

“(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

“(A) any listed transaction, and

“(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

“(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

“(i) IN GENERAL.—Subsection (a) shall be applied by substituting ‘30 percent’ for ‘20 percent’ with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6662(d)(2)(A) is not met.

“(2) RULES APPLICABLE TO ASSERTION AND COMPROMISE OF PENALTY.—

“(A) IN GENERAL.—Only upon the approval by the Chief Counsel for the Internal Revenue Service or the Chief Counsel’s delegate at the national office of the Internal Revenue Service may a penalty to which paragraph (i) applies be included in a 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals. If such a letter is provided to the taxpayer, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(B) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

“(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).

“(e) SPECIAL RULES.—

“(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

“(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

“(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

“(2) COORDINATION WITH OTHER PENALTIES.—

“(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

“(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

“(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

“(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term ‘noneconomic substance transaction understatement’ has the meaning given such term by section 6662B(c).

“(5) CROSS REFERENCE.—

**“For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).”**

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

“The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.”

(c) REASONABLE CAUSE EXCEPTION.—

(i) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

“(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

“(i) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

“(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

“(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

“(B) there is or was substantial authority for such treatment, and

“(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

“(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

“(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

“(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

“(ii) relates solely to the taxpayer’s chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

“(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

“(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

“(i) the tax advisor is described in clause (ii), or

“(ii) the opinion is described in clause (iii).

“(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

“(i) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

“(ii) is compensated directly or indirectly by a material advisor with respect to the transaction,

“(iii) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained,

“(iv) has an arrangement with respect to the transaction which provides that contractual disputes between the taxpayer and the advisor are to be settled by arbitration or which limits damages by reference to fees paid to the advisor for such transaction, or

“(v) as determined under regulations prescribed by the Secretary, has a disqualifying financial interest with respect to the transaction.

“(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

“(i) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

“(ii) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

“(iii) does not identify and consider all relevant facts,

“(iv) is not signed by all individuals who are principal authors of the opinion, or

“(v) fails to meet any other requirement as the Secretary may prescribe.”

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting “FOR UNDERPAYMENTS” after “EXCEPTION”.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking "section 6662(d)(2)(C)(iii)" and inserting "section 1274(b)(3)(C)".

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking "(as defined in section 6662(d)(2)(C)(iii))" in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

"(C) TAX SHELTER.—For purposes of subparagraph (B), the term 'tax shelter' means—

"(i) a partnership or other entity,

"(ii) any investment plan or arrangement,

or

"(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax."

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking "this part" and inserting "section 6662 or 6663".

(5) Subsection (b) of section 7525 is amended by striking "section 6662(d)(2)(C)(iii)" and inserting "section 1274(b)(3)(C)".

(6)(A) The heading for section 6662 is amended to read as follows:

**"SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS."**

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

"Sec. 6662. Imposition of accuracy-related penalty on underpayments.

"Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

**SEC. 204. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.**

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

**"SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.**

"(a) IMPOSITION OF PENALTY.—If a taxpayer has a noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

"(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting '20 percent' for '40 percent' with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

"(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'noneconomic substance transaction understatement' means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

"(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term 'noneconomic substance transaction' means any transaction if—

"(A) there is a lack of economic substance (within the meaning of section 7701(n)(1)) for

the transaction giving rise to the claimed benefit or the transaction was not respected under section 7701(n)(2), or

"(B) the transaction fails to meet the requirements of any similar rule of law.

"(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

"(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

"(2) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

"(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

"(f) CROSS REFERENCES.—

**"(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).**

**"(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e)."**

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

"Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

**SEC. 205. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NON-REPORTABLE TRANSACTIONS.**

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

"(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

"(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000), or

"(ii) \$10,000,000."

(b) REDUCTION OF PENALTY FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

"(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or"

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

"(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 206. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.**

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

"(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

"(1) between a federally authorized tax practitioner and—

"(A) any person,

"(B) any director, officer, employee, agent, or representative of the person, or

"(C) any other person holding a capital or profits interest in the person, and

"(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C))."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

**SEC. 207. DISCLOSURE OF REPORTABLE TRANSACTIONS.**

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

**"SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.**

"(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

"(1) information identifying and describing the transaction,

"(2) information describing any potential tax benefits expected to result from the transaction, and

"(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

"(b) DEFINITIONS.—For purposes of this section—

"(1) MATERIAL ADVISOR.—

"(A) IN GENERAL.—The term 'material advisor' means any person—

"(i) who provides any material aid, assistance, or advice with respect to organizing, managing, promoting, selling, implementing, or carrying out any reportable transaction, and

"(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

"(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

"(i) \$50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

"(ii) \$250,000 in any other case.

"(2) REPORTABLE TRANSACTION.—The term 'reportable transaction' has the meaning given to such term by section 6707A(c).

"(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

"(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

"(2) exemptions from the requirements of this section, and

"(3) such rules as may be necessary or appropriate to carry out the purposes of this section."

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

"Sec. 6111. Disclosure of reportable transactions."

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

**“SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.**

“(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

“(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

“(2) containing such other information as the Secretary may by regulations require. This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.”.

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting “written” before “request” in paragraph (1)(A), and

(ii) by striking “shall prescribe” in paragraph (2) and inserting “may prescribe”.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.”.

(3)(A) The heading for section 6708 is amended to read as follows:

**“SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.”.**

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

“Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.”.

(c) REQUIRED DISCLOSURE NOT SUBJECT TO CLAIM OF CONFIDENTIALITY.—Subparagraph (A) of section 6112(b)(1), as redesignated by subsection (b)(2)(B), is amended by adding at the end the following new flush sentence:

“For purposes of this section, the identity of any person on such list shall not be privileged.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

**SEC. 208. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.**

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

**“SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.**

“(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

“(1) fails to file such return on or before the date prescribed therefor, or

“(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be \$50,000.

“(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to

any listed transaction shall be an amount equal to the greater of—

“(A) \$200,000, or

“(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the listed transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting ‘75 percent’ for ‘50 percent’ in the case of an intentional failure or act described in subsection (a).

“(c) CERTAIN RULES TO APPLY.—The provisions of section 6707A(d) shall apply to any penalty imposed under this section.

“(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).”.

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking “tax shelters” and inserting “reportable transactions”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

**SEC. 209. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.**

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

“(a) IMPOSITION OF PENALTY.—

“(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary’s request, such person shall pay a penalty of \$10,000 for each day of such failure after such 20th day.

“(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

**SEC. 210. PENALTY ON PROMOTERS OF TAX SHELTERS.**

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: “Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

**SEC. 211. INCREASES IN PENALTIES FOR AIDING AND ABETTING UNDERSTATEMENTS.**

(a) IN GENERAL.—Section 6701(b) is amended to read as follows:

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—The amount of the penalty imposed by subsection (a) shall be the greater of—

“(A) \$2,000, or

“(B) 50 percent of the gross income derived (or to be derived) from the activity giving rise to the penalty.

“(2) CORPORATIONS.—If the return, affidavit, claim, or other document relates to the tax liability of a corporation, paragraph (1)(A) shall be applied by substituting ‘\$20,000’ for ‘\$2,000’.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

**Subtitle B—Enron-Related Tax Shelter Provisions**

**SEC. 221. LIMITATION ON TRANSFER OR IMPORTATION OF BUILT-IN LOSSES.**

(a) IN GENERAL.—Section 362 (relating to basis to corporations) is amended by adding at the end the following new subsection:

“(e) LIMITATIONS ON BUILT-IN LOSSES.—

“(1) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

“(A) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in subparagraph (B) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

“(B) PROPERTY DESCRIBED.—For purposes of subparagraph (A), property is described in this subparagraph if—

“(i) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

“(ii) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner’s proportionate share of the property of such partnership.

“(C) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of subparagraph (A), there is an importation of a net built-in loss in a transaction if the transferee’s aggregate adjusted bases of property described in subparagraph (B) which is transferred in such transaction would (but for this paragraph) exceed the fair market value of such property immediately after such transaction.

“(2) LIMITATION ON TRANSFER OF BUILT-IN LOSSES IN SECTION 351 TRANSACTIONS.—

“(A) IN GENERAL.—If—

“(i) property is transferred by a transferor in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

“(ii) the transferee’s aggregate adjusted bases of such property so transferred would (but for this paragraph) exceed the fair market value of such property immediately after such transaction,

then, notwithstanding subsection (a), the transferee’s aggregate adjusted bases of the property so transferred shall not exceed the fair market value of such property immediately after such transaction.

“(B) ALLOCATION OF BASIS REDUCTION.—The aggregate reduction in basis by reason of subparagraph (A) shall be allocated among the property so transferred in proportion to their respective built-in losses immediately before the transaction.

“(C) EXCEPTION FOR TRANSFERS WITHIN AFFILIATED GROUP.—Subparagraph (A) shall not apply to any transaction if the transferor owns stock in the transferee meeting the requirements of section 1504(a)(2). In the case of property to which subparagraph (A) does not apply by reason of the preceding sentence, the transferor’s basis in the stock received for such property shall not exceed its fair market value immediately after the transfer.”.

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) (relating to liquidation of subsidiary) is amended to read as follows:

“(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section

337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

“(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

“(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(1)(B) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.”.

(C) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to transactions after the date of the enactment of this Act.

(2) LIQUIDATIONS.—The amendment made by subsection (b) shall apply to liquidations after the date of the enactment of this Act.

**SEC. 222. NO REDUCTION OF BASIS UNDER SECTION 734 IN STOCK HELD BY PARTNERSHIP IN CORPORATE PARTNER.**

(a) IN GENERAL.—Section 755 is amended by adding at the end the following new subsection:

“(c) NO ALLOCATION OF BASIS DECREASE TO STOCK OF CORPORATE PARTNER.—In making an allocation under subsection (a) of any decrease in the adjusted basis of partnership property under section 734(b)—

“(1) no allocation may be made to stock in a corporation (or any person which is related (within the meaning of section 267(b) or 707(b)(1)) to such corporation) which is a partner in the partnership, and

“(2) any amount not allocable to stock by reason of paragraph (1) shall be allocated under subsection (a) to other partnership property in such manner as the Secretary may prescribe.

Gain shall be recognized to the partnership to the extent that the amount required to be allocated under paragraph (2) to other partnership property exceeds the aggregate adjusted basis of such other property immediately before the allocation required by paragraph (2).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after the date of the enactment of this Act.

**SEC. 223. EXPANDED DISALLOWANCE OF DEDUCTION FOR INTEREST ON CONVERTIBLE DEBT.**

(a) IN GENERAL.—Paragraph (2) of section 163(l) is amended by inserting “or equity held by the issuer (or any related party) in any other person” after “or a related party”.

(b) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—Section 163(l) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

“(4) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—If the disqualified debt instrument of a corporation is payable in equity held by the issuer (or any related party) in any other person (other than a related party), the basis of such equity shall be increased by the amount not allowed as a deduction by reason of paragraph (1) with respect to the instrument.”.

(c) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—Section 163(l), as amended by subsection (b), is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7) and by inserting after paragraph (4) the following new paragraph:

“(5) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—For purposes of this subsection, the term ‘disqualified debt instrument’ does not include indebtedness issued by a dealer in securities (or a related party) which is payable in, or by reference to, equity (other than equity of the issuer or a related party) held by such dealer in its capacity as a dealer in securities. For purposes of this paragraph, the term ‘dealer in securities’ has the meaning given such term by section 475.”.

(c) CONFORMING AMENDMENTS.—Paragraph (3) of section 163(l) is amended—

(1) by striking “or a related party” in the material preceding subparagraph (A) and inserting “or any other person”, and

(2) by striking “or interest” each place it appears.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to debt instruments issued after the date of the enactment of this Act.

**SEC. 224. EXPANDED AUTHORITY TO DISALLOW TAX BENEFITS UNDER SECTION 269.**

(a) IN GENERAL.—Subsection (a) of section 269 (relating to acquisitions made to evade or avoid income tax) is amended to read as follows:

“(a) IN GENERAL.—If—

“(1)(A) any person or persons acquire, directly or indirectly, control of a corporation, or

“(B) any corporation acquires, directly or indirectly, property of another corporation and the basis of such property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and

“(2) the principal purpose for which such acquisition was made is evasion or avoidance of Federal income tax, then the Secretary may disallow such deduction, credit, or other allowance. For purposes of paragraph (1)(A), control means the ownership of stock possessing at least 50 percent of the total combined voting power of all classes of stock entitled to vote or at least 50 percent of the total value of all shares of all classes of stock of the corporation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to stock and property acquired after the date of the enactment of this Act.

**SEC. 225. MODIFICATION OF INTERACTION BETWEEN SUBPART F AND PASSIVE FOREIGN INVESTMENT COMPANY RULES.**

(a) LIMITATION ON EXCEPTION FROM PFIC RULES FOR UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.—Paragraph (2) of section 1297(e) (relating to passive foreign investment company) is amended by adding at the end the following flush sentence:

“Such term shall not include any period if the earning of subpart F income by such corporation during such period would result in only a remote likelihood of an inclusion in gross income under section 951(a)(1)(A)(i).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

Amend the title so as to read: “A bill to provide for significant temporary relief from the alternative minimum tax and for a framework for a total reform of the alternative minimum tax.”.

The SPEAKER pro tempore. Pursuant to House Resolution 619, the gentleman from Massachusetts (Mr. NEAL) and a Member opposed each will control 30 minutes.

The Chair recognizes the gentleman from Massachusetts (Mr. NEAL).

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the gentleman from Pennsylvania (Mr. ENGLISH) is a good friend of mine. He is a member of the Committee on Ways and Means, and he really is a very decent guy, but he is really wrong in what he said earlier. To suggest that these tax cuts and this mania that we have witnessed now for tax cuts for the last 3 years has not had a substantial impact on the size of Federal deficit is to really put our heads in the sand. Let me remind Members of this House we are now fighting two wars with three tax cuts, and the mathematics are there for everybody to see.

An announcement this morning by Secretary Rumsfeld that 135,000 troops now are going to stay in Iraq for an extended tour of duty, well into the year 2005, and let us be honest with the American people, they are there for 2006 and 2007 and maybe through 2010. That is the reality that we confront. We are going to a \$500 billion deficit this year after coming out of the Clinton years when we not only balanced the budget but projected surpluses for years to come.

I want to remind “all is well” that this proposal from the gentleman from Connecticut today has never even been vetted in the Committee on Ways and Means. Maybe I am mistaken, but I believe after having served in that committee for 12 years that the Committee on Ways and Means has a responsibility for tax revenue issues. So this is being brought to us by an individual who is not on the committee and indeed it has not been aired in the committee. There has been no public hearing on the proposal that we are going to vote on in an hour. So we find ourselves having this debate about alternative minimum tax.

And I want to say something. I think my hands are clean on this issue. I have heard them say that the Democrats put this in place in the reform of the Tax Act of 1986. That may well be the case, but let me tell the Members something. I am in favor of repealing it. I think there ought to be some intellectual honesty as it relates to AMT. It has outlived its usefulness. It has outlived its purpose, and now middle-income taxpayers are now being asked to carry its burden.

We have a game of kind of hocus-pocus here. The Republicans stand up and say, well, we are going to give AMT relief. They are not giving AMT to the number of people they could and should be giving AMT relief to, largely because it does not square with the tax cuts that the administration has proposed, and once again Republicans in this House go along with very few questions asked about any issue. The administration says it is so, they just go along with it, no questions asked, even if the evidence a few weeks, months,

years later turns a contrary conclusion.

Let me speak specifically, if I can, to this issue as it relates to this debate today. The alternative minimum tax was originally designed to make sure that everyone paid their fair share. Who among us can argue with that? The second notion of the proposal that we have offered today is that we want to grant some relief to the burden that the Republican Party has put on middle-income tax earners. If they, in fact, take advantage of certain credits in the Tax Code and they have a lot of children, they are penalized by their proposal. Do the Members know why? It is very simple, because the philosophy of the majority in of this body is that the only people in America that ought to have tax relief are the wealthy.

And to the credit of the wealthy 3 years ago, they were not even asking for tax relief. They wanted to pay down the debt, and public opinion polling concludes, once again, they still think that paying down the deficits are a far better use of taxpayer money than giving tax relief to even those who might benefit most from it.

They promised that they were going to do something about tax reform as it relates to AMT. But what they did not tell them was that they are going to give them tax relief on one hand and then if they sit down to do their tax forms, they are going to take it away from them if they have four or five children. If people desire to use the HOPE credit, they are going to take it away from them. If they try to take advantage of the child credit, they are going to take it away from them. So they give it to them on one hand and they take it back on the other. So in the end, there really is no tax relief as it relates to alternative minimum tax.

I want the Members to listen to this. Half, half of the promised benefits that we voted on last week under the marriage penalty bill, we were told we were going to provide relief to those folks as well, they are taken back to the Treasury by alternative minimum tax.

I have offered time and again, Mr. Speaker, a couple of very easy proposals in this body. Let us get rid of AMT. Let us scale back the size of the tax cuts the administration offered. Let us pay down the deficit. Let us pay for these two wars. Let us fix Social Security. Let us fix Medicare, as American people clearly desire. And let us give tax relief to middle-income Americans, particularly from alternative minimum tax.

I hope in the next few minutes as we engage this debate, we will have a chance to put the magnifying glass on the proposal that is before us today. And I have got to tell the Members, as a member of the oldest committee in this House, a committee that I believe is so desirable to sit on, a committee whose history is so profound as it relates to this Republic, they did not even have enough regard for the Com-

mittee on Ways and Means to hold a hearing on this proposal in the committee. This is the introduction to their proposal today on the House floor. Nobody has seen it until about an hour and a half ago.

So let us engage this debate. Let us have an opportunity to draw some attention to what it is that they are saying but, most importantly, to what it is that they are doing.

Mr. Speaker, I reserve the balance of my time.

Mr. ENGLISH. Mr. Speaker, I rise to claim the time in opposition to the amendment in the nature of a substitute.

The SPEAKER pro tempore. The gentleman from Pennsylvania (Mr. ENGLISH) is recognized for 30 minutes.

Mr. ENGLISH. Mr. Speaker, I yield myself such time as I may consume.

This has been a fascinating debate today, and I particularly want to congratulate the gentleman for his contribution. The gentleman from Massachusetts, as with his customary eloquence, has laid out his position, and in the process perhaps subconsciously has drawn a striking contrast between the two parties and perhaps one that he had not intended. He characterizes, first of all, Republican tax relief as maniacal. I think that is an interesting choice of words, but as I look at it, it perhaps I think accurately captures the view on the other side of tax relief and a tax program that is already lifting the economy, that is creating jobs, that is creating opportunities throughout America, including for a lot of people who were not directly the beneficiary of as much tax relief as we would have liked.

Let me say in addition to that, there has been the procedural argument made here that this proposal before us today has not been adequately vetted. Mr. Speaker, to be very clear, this language is similar to what has been included in the tax bill that passed. This kind of language has been many times before the body. We have thoroughly debated within the Committee on Ways and Means the issue of the alternative minimum tax, and it is not clear that additional hearings would have provided a substantive additional agenda.

I am delighted to hear the gentleman come out in favor of full repeal because, as I said to the gentleman from New York earlier in our discussion, I invite the gentleman to join with me and other members of the zero AMT caucus to come together and to work through a proposal to get rid of this AMT.

The substitute that we have now risen to debate, though, was not I think adequately discussed in the gentleman's remarks, and perhaps there is where the contrast is clearest. Because in an effort to, as they put it, pay for the AMT relief that is included in the bill, what they have proposed doing is permanently putting in place an increase of corporate taxes in order to pay for 1-year relief to the individual

AMT. That sounds like good politics, but at a time when our economy is struggling, at a time when even people on the other side of the aisle have conceded that corporate tax rates in our country and on our companies and workers are higher than those globally and are a clear competitive disadvantage to our companies who are seeking to keep jobs here in the United States, that the idea of permanently raising corporate taxes is one that I think is striking and I think uniquely ill conceived.

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What they have proposed doing is generating revenue through the permanent implementation of something called the economic substance doctrine. Economic substance is a doctrine that our courts apply on a discretionary basis to situations which erode our rules-based tax system.

The substitute attempts to codify this judicial doctrine and expand its definition so the IRS can pick apart any ordinary business transaction and subjectively look for reasonable business purposes. The result is a new requirement for taxpayers to have yet another layer of IRS intervention and be burdened with restrictions in ways that the courts have not even considered. I realize that there are some who have embraced this on the Senate side, but no one on our side of the aisle here in the House of Representatives so far has done so. The result would be a new requirement for taxpayers and another layer of IRS intervention.

The proposal would then propose strict liability penalties on understatement of tax, which would not be limited to abusive transactions. The proposal, in our view, is far too broad and significantly expands common-law doctrines.

There is also no indication that the doctrine would be limited to abusive transactions. While we are currently debating a 1-year extension of tax relief for working families, let me make this clear again: this substitute levies a permanent tax increase on employers and ultimately on the labor of the workers that they employ.

The gentleman from New York (Mr. RANGEL) has himself indicated support for lower corporate tax rates for our manufacturers in his own bill to replace the FSC/ETI regime. Here his proxy is insisting on raising their taxes by \$15 billion.

In addition to a \$15 billion tax increase, companies would now have to spend valuable time and resources managing the implications of the law, when they could be using these resources to expand their operations, invest in production lines, and create jobs. Instead, what this proposal effectively does is create jobs only in the legal profession.

Mr. Speaker, the House has voted repeatedly against this tax increase because it is bad tax policy, bad economic policy, and it further hinders

American competitiveness and does so permanently. I think it is fairly clear that what is being attempted here in this substitute is to take something that we really need to do, addressing the problem of the AMT, and attach to it something off of a wish-list from the left, which, frankly, has no place here at a time when we are trying to buoy the economy.

I think it is worth noting that the last time someone really aggressively proposed to raise taxes during a slow-down was Mr. Hoover, so there may even be some Republican genealogy in the proposal we are seeing offered on the other side. But the Republicans of today do not recognize this as a positive thing.

Let me summarize the bill of particulars against the Rangel substitute and specifically the economic substance doctrine.

First of all, it is a permanent tax increase. Although the AMT relief in the Democratic substitute is temporary, the tax increases are permanent.

In addition, the administration strongly opposes codification of the economic substance doctrine. They have looked at it, and they have found it wanting. Acting Treasury Assistant Secretary for Tax Policy, Gregory Jenner, has stated that codifying the economic substance doctrine could be counterproductive, as it would drive tax shelters even further underground. Assistant Secretary Jenner has stated that the most effective way to stop tax shelter transactions is to require increased disclosure. The administration's tax shelter proposal increases disclosure by levying substantial penalties on those who fail to disclose their transactions.

As I have noted, this proposal has been repeatedly rejected in the House, and it would also hurt jobs and investment. Codifying the economic substance doctrine would result in businesses foregoing job-creating investments because of concerns that the IRS would improperly apply the economic substance doctrine to legitimate transactions.

Finally, this proposal goes beyond accepted case law. The Democratic proposal requires that some transactions have at least a risk-free rate of return. This type of provision goes beyond what is required by either the Tax Code or common-law court doctrines. Furthermore, their proposal does not define a risk-free rate of return.

All things being equal, this is a very poor substitute; and we urge its rejection.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, anytime that we can ask those companies that have moved to Bermuda to avoid paying American taxes with 134,000 troops in Iraq to pay their share, I am happy to have my fingerprints on that issue.

Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Maryland (Mr. HOYER), the Democratic whip.

Mr. HOYER. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, this debate on the alternative minimum tax epitomizes, unfortunately, precisely what is wrong in this House today: the Republican leadership's refusal to seize bipartisan opportunities where they exist, and its desire to turn every tax bill into a decisive political bludgeon.

Let us be honest: every Member of this House, without exception, recognizes that we must fix the alternative minimum tax. That is not what this debate is about. When the AMT was enacted in 1969, it was supposed to ensure that wealthy taxpayers paid a fair share, that is to say, that you did not have your accountants figure out 17 ways to Sunday that you would not pay any taxes to support this democracy, this Republic, this great Nation.

We said in a bipartisan way, you ought to pay something. But because it was not indexed for inflation, the AMT today ensnares more and more middle-income taxpayers. That was not the intent of any Member of this House. It forces them to pay more than they would under the regular tax schedule. But rather than trying to find a bipartisan solution to this growing and vexing problem, the majority has offered the legislative equivalent of a Band-Aid that would only drive us further into debt.

Make no mistake: the Democratic substitute drafted by the gentleman from New York (Mr. RANGEL) is vastly superior. Where the Republican bill would extend current AMT exemptions for taxpayers whose adjusted gross income is less than \$40,250, or \$58,000 for married couples, the Democratic substitute would say to individuals making \$125,000 or couples making \$250,000, the Alternative Minimum Tax was not meant for you. You will pay your regular taxes. It was meant for the very wealthy who exempted themselves from taxes.

I want you to know that I paid 10 percent more of my income, which is about one-eighth of DICK CHENEY's income, the Vice President's. Why? Because he has an extraordinary preference item, \$625,000 in income from municipal bonds. Zero taxes. But the soldiers who are defending the assets of those municipal bonds, CDC is protecting the health of those in those municipalities, as well as Mr. CHENEY's and mine.

Not one nickel of cost in the Republican bill is paid for. Not one nickel. My friends on the Republican side, you are raising taxes, but you are slick; you are doing it by the back door. You are increasing the debt. As a result of increasing the debt, my kids are going to have to pay higher taxes.

That is pretty slick. Why do I say it is slick? My kids happen to be voting; but my grandchildren, who are going to

have to pay more taxes, are not voting, so they are not focused on what you are doing, this shell game you are playing of pretending you are cutting taxes.

You are delaying taxes, is what you are doing; and you are increasing them at the same time. The fact is, the Democratic substitute provides a simpler and broader relief. It is fiscally responsible. That used to be the mantra of your party. Many of your folks talk about it today. They do not vote that way, however.

It is ironic, Mr. Speaker, that this Republican majority, which talks about tax fairness and simplification, in the last 3½ years has only made our Tax Code much more complicated.

Let us not perpetuate tax confusion and complexity. Let us help those who need help. Let us pay for what we do. That is the responsible policy. That would make this Congress responsible. We can do so in a bipartisan way. Vote for this substitute.

Mr. ENGLISH. Mr. Speaker, I yield myself 10 seconds to thank the gentleman for his salute to the simplicity of the economic substance doctrine, and we look forward to the vote on the substitute.

Mr. Speaker, I yield 3 minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), a member of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank my colleague for yielding me time to speak on what I consider to be a very important bill.

I rise in support of H.R. 4227 and commend my colleague, the gentleman from Connecticut (Mr. SIMMONS), for introducing this legislation.

This bill is simply about keeping promises, about keeping the promise made to the middle-class taxpayers that we would provide child credits to reduce the taxes on our young families, that we would eliminate the marriage penalty, and that we would expand the 10 percent bracket so that those low earners in America would not be burdened with tax liabilities.

Unfortunately, unless we pass this legislation, we will renege on that promise of lower taxes and effectively increase the taxes of 11 million taxpayers by on average \$1,520. I can tell you, that is a lot of money to families in our country. We cut their taxes; and we need to remain loyal to that policy that supports families, recognizes the circumstances of low-income individuals and families in the 10 percent bracket, and eliminates the gross unfairness of the current marriage penalty in our code.

So I rise in strong support of the legislation. It is temporary. I look forward to working with my colleagues in the administration on a permanent solution, but passage of this legislation is imperative.

I also strongly oppose the substitute. First of all, it is wrong to fund a 1-year provision with a permanent increase in taxes. It is also wrong to "clarify current law" by muddying it. Current law

has a body of case law behind it which has helped to define the complex issues and eliminate uncertainty.

Now, the current law could be improved upon. Our Acting Assistant Secretary of the Treasury, Gregory Jenner, has recommended, and the Treasury has strongly recommended, that we increase disclosure, that we require more disclosure, and that by doing so, we could stop tax shelter transactions that were abusive. So we need to move to increase disclosure.

But to add instead a new, complicated doctrine of economic substance will cause the kind of confusion that retards investment. People will be uncertain. This is a very complicated issue. They will not know what the government is going to do. They will slow down investment, killing jobs.

When our recovery is soft, it is dumb to do something that will cost jobs now and cost considerable jobs over the next few years. The Heritage Foundation has just come forward with an analysis that says this would kill 3,000 jobs the first year and 15,000 jobs over 5 years. Remember, many of our manufacturers pay taxes and would be affected by this, just at the time when they are getting back on their feet.

So what you do not need in the Tax Code is uncertainty. We have a problem in the Tax Code. We need to deal with it. A 1-year extension is the right way to go at this time.

Mr. Speaker, I thank the gentleman and oppose the substitute.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I remind the Republican Members a year ago in the Committee on Ways and Means they had a chance to vote for my AMT bill, which would have done exactly some of the things we are proposing to do today.

Mr. Speaker, I yield 3 minutes to the gentleman from Oregon (Mr. BLUMENAUER).

Mr. BLUMENAUER. Mr. Speaker, I appreciate the gentleman's courtesy in permitting me to speak on this.

Mr. Speaker, I find my friend from Pennsylvania's commentary somewhat ironic because all independent observers agree that after three rounds of massive tax cuts, we are getting very little benefit for the magnitude of the costs involved.

□ 1315

On our side of the aisle, we have had a variety of areas that would have put far more people to work producing far more economic benefit for this country at far less cost.

It is also ironic that somehow, the blame; after 10 years of Republicans in control, that somehow, this inequity is the problem of the Democrats. In fact, under the watch of my Republican colleagues, we have seen the "millionaires' tax" that was enacted in 1969 to stop sheltering all income, now punishes people who pay their taxes, claim a child care credit, and save for their future.

In the midst of the largest tax-cutting frenzy in our country's history, the Republican majority has used the \$600 billion that is going to be extracted from people who do not deserve to pay this over the next 10 years, to disguise the impact of their misguided policies.

Now, I would suggest that it is inappropriate to continue limping along as my Republican colleagues would do today with the enactment of their proposal. It just puts off the day of reckoning, gets past another election and, they hope, can implement more of their true agenda: to provide more permanent tax relief for people who need it the least.

Now, I would suggest that the Democratic substitute, which is providing more help and not making deficits worse, is a step in the right direction. I join with my friend, the gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from Massachusetts (Mr. NEAL) to come forward to either repeal or fix the alternative minimum tax. But we could do that in a minute if the Committee on Ways and Means would return to its historic way of doing business, being bipartisan, maybe even considering legislation like this in committee before bringing it to the floor, allowing debate back and forth, allowing amendments. I think we would have a bipartisan majority that would put 400 votes on the floor to get rid of the single greatest inequity in the Tax Code.

Instead, the drum-beat from my friends on the other side of the aisle is to make permanent the most egregious part of their program for the people who need it least, and holding hostage some 35 million to 43 million American families with this sword of Damocles holding over their heads. It is just what they have done with the estate tax. Instead of coming forward with a bipartisan reform that we are ready to do and would get 300 or 400 votes, they have this bizarre thing where one has to be careful about what year they die, to know how many wills they have to have in order to play the game with this year after year.

I think it is inappropriate and it is shameful. It is time for us to take a step in the right direction, with the approval of the Democratic substitute.

Mr. ENGLISH. Mr. Speaker, I am delighted to yield 3 minutes to the gentleman from Florida (Mr. FOLEY), my distinguished colleague on the Committee on Ways and Means.

Mr. FOLEY. Mr. Speaker, let me thank the gentleman from Pennsylvania for leading the debate today. I certainly want to salute my colleague, the gentleman from Massachusetts (Mr. NEAL). He has raised this AMT issue at every one of our hearings on the Committee on Ways and Means. He has kept this issue alive. It is important for the people who are middle wage-earners in our country to get some relief.

I disagree with the past speaker on suggesting we are limping along, sug-

gesting that the tax cuts that we put in place have not helped this economy. If we tune in to any show or read any publication, whether it is CNBC or CNN or to read Forbes Fortune or the Wall Street Journal, virtually every person who studies the economy is giving credit for this resurgence, if you will, of opportunity due to the tax cuts we have enacted.

The AMT is a burden for middle income taxpayers. We in our bill solve that burden, and we do so without raising corporate taxes. That is a good debate for a day, maybe today, maybe another day on corporate taxation, because we do understand a lot of companies take their plants and facilities overseas.

I asked the H.J. Heinz Company why they found so many countries comfortable for them to move plants to and they said we want to be close to those who are buying our goods and services. So I do not look at the Heinz Company as unpatriotic for opening Heinz of Canada, Heinz of Ireland, Heinz of France, or Heinz of whatever countries they settle in. But I do recognize that at times, companies do make decisions based on their locations, based on the Tax Code of this country.

All agree that our corporate taxes today are too high, and in the Rangel substitute, they raise them further. So we start off with a problem of substance in their bill that actually further punishes corporations who are trying to provide jobs here in America for the citizens of our country. So the administration and this committee, the Committee on Ways and Means on the Republican side, do oppose what would be a \$15 billion tax increase.

We also recognize that this needs to be dealt with, and we have dealt with it. If we look back at our history, Public Law 107-16, the Economic Growth and Tax Relief Reconciliation Act, we allowed the child credit, the adoption credit, the small savers credit to be counted against the AMT in 2010. We increased the exemption from 45 for 49 for married couple, and 33 to 35 for single individuals. In public law 107-47, the Job Creation and Worker Assistance Act of 2002, we extended through 2003 the ability to claim nonrefundable tax credits against the AMT. Public law 108-27, the Jobs and Growth Tax Reconciliation Act of 2003 again expanded the amounts and extended the amounts. The Tax Relief Act, H.R. 3521.

So there is a consistent history of our committee in a Republican-led Congress moving forward on trying to minimize the grab, if you will, of the AMT.

Now, I believe as we try to determine on this bill how to give people an understanding of how to file their taxes, how to do their taxes, simplicity is the best possible option, and I do look forward to the chance we have on our committee to talk about simplifying this very complicated Tax Code.

But today we are here to oppose the Rangel substitute and genuinely support H.R. 4227 to provide relief for American families.

Mr. NEAL of Massachusetts. Mr. Speaker, I am just curious, and I would ask the gentleman from Pennsylvania (Mr. ENGLISH) or perhaps the gentleman from Florida (Mr. FOLEY), since this was never aired in the committee, this proposal has not been brought up in front of the committee, will the author of this proposal, will he be taking his picture with the Committee on Ways and Means later on at 2 o'clock? Will we have him there for the photograph for history and posterity? I was just wondering, since we now have non-members of the committee bringing these proposals forward.

Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, the country should know there is a tax train wreck coming along the tracks here, and what is the Republican answer? Speed up the train, making tax cuts permanent, mainly, heavily, for the very wealthy, and they essentially try to hide the track.

First of all, much of what is being given is going to be taken back by the AMT. Secondly, while some is being taken back now, much more will be in future years. So what is the answer of the Republican majority? The answer is, oh, blame the Democrats because of actions taken what, 10 years ago, 12 years ago, 15 years ago. The Republicans have run this place for 10 years, and their answer on the AMT is always wait until next year. The gentleman from Massachusetts (Mr. NEAL) has heard that year after year.

When the Republicans took over this place, a third of 1 percent of taxpayers were subject to the AMT. In 2004, that will be 7 times as many. So what do they do? They extend it for 1 year, even though in 2011, the percentage will go up to 11.2, many, many, many times more than the number who paid the AMT when the Republicans took over.

So why do they not act? Because it is going to cost so much money. The estimate is that if this bill is extended and essentially made permanent, during the next 10 years, it would cost \$550 billion, way beyond 17, and if you add interest, \$650 billion it would cost. So the Republicans say, wait until next year because they know they cannot act this year and be honest with the American people.

This Republican majority simply cannot tell it straight to the American people. They set up a caucus, the Zero Tax Caucus. Why do they not just act this year instead of setting up a caucus that is nothing more than a smoke screen?

The substitute is an honest attempt to do better and to pay for it. The Republican majority does not want to pay

for any of their tax cuts, even those that help middle income taxpayers, but most go to high-income taxpayers.

Vote for the substitute. Let us begin to be honest with the American public.

Mr. ENGLISH. Mr. Speaker, I yield 3 minutes to the gentleman from Missouri (Mr. AKIN).

Mr. AKIN. Mr. Speaker, I rise today in strong opposition to the substitute offered by the gentleman from New York. I have heard the term "bipartisan" and "bipartisan solution" now for about half an hour, and it seems to be a synonym for tax increases. That is exactly what we are talking about here.

Last week, Democrats claimed that the AMT needed to be fixed so that married couples could fully benefit from the repeal of this marriage penalty. Well, given the substitute, apparently what they really meant was that only certain married people and only for a period of 1 year.

Adding insult to injury, the Democrat substitute would also permanently raise taxes on manufacturers and other job-creating parts of our economy. I cannot speak for other States, but I can assure my colleagues that the last thing that manufacturers in the State of Missouri want is to have their already slim profits taxed even further. I really do not understand the logic of wanting to go for a big tax increase on the very sector that is creating jobs in our economy. It seems to me that in the last couple of years, we have finally pulled out of a recession because of the tax cuts, and now, we want to tax companies and they are the ones that make the jobs. It does not make any sense at all.

Mr. Speaker, the American people deserve better than another Democrat tax increase. We are here today because in 1993, when President Clinton and the Democrats passed the largest, one of the largest tax increases in history, they did so without indexing those taxes for inflation. As a result, more and more middle income Americans are now hit with a tax that was originally enacted to try to ensure that only the wealthiest among us should pay taxes.

Now, this so-called the wealthiest 1 percent is actually paying 37 percent of the total personal income taxes. One percent is paying 37 percent of the total personal income taxes in this country. I am just not seeing the logic of the fact that we have to have another tax increase.

Today, 3 million hard-working American families are hit with the AMT, a tax that the Congress never intended them to pay. If we do not act today, by 2005, 11 million American families will be burdened with the AMT.

Mr. Speaker, I encourage my colleagues to reject another Democrat tax increase, support House Resolution 4227, which ensures that American families will receive the relief that they deserve.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield for the purpose of

making a unanimous consent request to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, because H.R. 4227 does nothing but increase taxes on the middle class, I rise enthusiastically to support the Democratic substitute of the alternative minimum tax relief of the gentleman from New York (Mr. RANGEL), and I ask my colleagues to support it.

Mr. Speaker, I rise today in support of the Democratic substitute presented here today by my distinguished colleague, Congressman RANGEL.

The democratic substitute answers the shortfalls found throughout the H.R. 4227. While H.R. 4227 purports to provide tax relief for our nation's struggling middle class, the reality is far from that. This bill is a mirage, a gimmick. It provides little to no relief for the majority of middle class Americans. This is another Republican ploy to try and fool the middle class that the Majority party is attempting to grant them tax relief. It is an attempt to cover up the vast amount of tax relief given to wealthy individuals and big businesses.

Unfortunately this bill does more than just nothing, in reality it hurts our middle class. This bill will roll back a large portion of the Administration's tax relief while at the same time taking back over half of the benefits provided by last weeks marriage penalty relief bill. This just does not make sense. How can you claim to provide tax relief for the middle class by proposing a bill that cuts back tax relief for the middle class?

The Democratic substitute answers these shortfalls. It provides the needed tax relief for our middle classes without any hidden tricks or misrepresentations. It provides more tax relief to more people without rolling back past promises of tax relief to more people without rolling back past promises of tax relief. In fact, it provides tax relief to 1 million more families than the GOP version and is substantially more effective in providing relief for middle class families making less than \$250,000 a year. Under the GOP plan a family of four earning a combined income of 95,000, residing in a high tax state, will be forced to pay the minimum tax. The Democratic Substitute is an easier more effective way to grant tax relief to the middle class and does away with the burdensome paperwork required under the Republican plan.

While the IRS's National Taxpayer Advocate labeled the AMT as our nation's most pressing tax concern, the Democratic Substitute is a serious long range plan to fix the problem, while the Republican plan is at best a stop-gap measure. Our current tax system towards the middle class is a sinking ship filled with holes. The current Republican proposal is a bucket. We don't need a bucket we need a new ship. The Democratic Substitute is a step towards this goal. Please join me and vote in favor of the Democratic Substitute.

Mr. NEAL of Massachusetts. Mr. Speaker, a quick reminder to the previous speaker. More than half of the promised benefits last week of the marriage tax penalty are taken back under alternative minimum tax.

Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. HINCHEY).

□ 1330

Mr. HINCHEY. Mr. Speaker, under the Bush administration, 2.6 million jobs have been lost, long term unemployment is at a record high. We have gone from \$5.6 trillion surplus in the Federal budget to nearly \$3 trillion in deficit; and this year, the huge budget deficit is expected to reach \$500 billion primarily due to the economic plans of the President and congressional Republicans. Four million people lost their health insurance; 1.3 million more people have gone into poverty. Median income of middle class families is down \$1,400. Thousands of schools are being forced to meet Federal education standards without additional Federal assistance.

Federal transportation and infrastructure programs are on life support while Republicans squabble over the transportation bill. These are serious problems that we will not be addressing today.

Reforming the alternative preliminary tax is another serious matter and it is something that Congress should take seriously. The Republican bill before us today, however, simply pushes the problem down the road. By the end of this decade, 33 million or 75 percent of families making between 75 and \$100,000 will be swept up into the AMT. It is obvious that this needs to be fixed.

Republicans are to be blamed for this dilemma. Their irresponsible tax reductions fail to include any form of the AMT despite the fact that they forced, and will continue to force millions of middle income families who live in high tax States to pay the costly alternative minimum tax. What the Republican bill would do today is borrow \$20 billion to provide a 1-year extension of the increased exemptions that middle income families currently rely on to avoid paying the AMT. This is not real reform. It is procrastination and it is dangerous. It adds to our deficit and effectively raises the Republican debt tax that has ballooned under President Bush.

The Democratic substitute provides more tax relief to middle income families without adding a penny to our debts. It would eliminate AMT liability for taxpayers whose adjusted gross income is less than \$250,000; and it would provide the framework for Congress who begin reforming AMT.

We Democrats support tax relief for lower and middle income families. Our bill does that. Democrats also are not afraid to begin addressing the serious problems facing our country. We are willing to take them head on as evidenced by this substitute.

It is time the House got serious about the issues facing our country today. Simply procrastinating, pushing off problems on to the shoulders of our children and grandchildren, that is the Republican plan. It is also unacceptable; it is immoral, and it must stop.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New Hampshire (Mr. BRADLEY).

Mr. BRADLEY of New Hampshire. Mr. Speaker, once again, I salute the hard work of my colleague from Pennsylvania in bringing this issue to the attention of the full House.

Mr. Speaker, I oppose the substitute amendment. Why? This corporate tax increase that is proposed would be a job killer. That is why. Right now at 35 percent for a corporate tax rate, we have the second highest corporate tax rate in the world. We have a 5.7 percent unemployment rate. And though we have seen progress over the last several months due to tax reduction, the time is not appropriate right now to raise corporate taxes.

The second reason is the WTO. The WTO tariffs have increased just recently to 7 percent. We need to be addressing this with the FSC/ETI reform package, and the way that we are going to address this is reducing corporate taxes, not raising corporate taxes. So the message of the substitute motion to raise corporate taxes is a job kill and it will not enable us to deal with the looming crisis of the WTO issue.

So let us pass the underlying bill, H.R. 4227, which gives a 1-year fix, an inflation adjustment to the alternative minimum tax. It ensures that couples who today are earning \$58,000 will be exempt from the AMT or for single individuals who are earning \$40,000 will be exempt, and not moving those brackets down to \$45,000 for a couple or \$33,750 for a single individual.

This bill, the underlying bill, will allow us to address the long-term issues that are a sleeping giant of the alternative minimum tax. The fact that today 3 million people pay it, tomorrow, if we do not pass the underlying bill, 11 million people pay it, and by the end of the decade, it will be one in every three taxpayers who will fall victim to the AMT.

We need the underlying bill today. We do not need the substitute motion.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. ISRAEL).

Mr. ISRAEL. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I rise in support of this substitute. Last week when we debated the marriage penalty relief, I said this: That the bill that we were debating was not an act of Congress. It was an act of Harry Houdini. Here today, gone tomorrow. Give with one hand, snatch away with the other. And one week later here we are again, another act of Houdini.

The majority's AMT bill says to middle class taxpayers, we are going to do a little bit today and nothing tomorrow. Their bills says to middle class taxpayers who are bleeding from the largest tax increase in the history of the middle class, take two aspirins, call us next year. Millions of middle class taxpayers are hurtling to a cliff,

our cops, our teachers, our nurses, our firefighters, they will fall off that AMT cliff, and what you want to do is simply build them a bigger ramp. That is the Republican plan.

Here is our substitute. If your adjusted earnings are \$250,000 or less, no AMT. No filings, no calculations, no confusion, no AMT tax. You do not have to worry about it. We say, tax relief for the middle class now. You say, keep taxing them. We say we are going to get to it now and fix it. You say we are just going to talk about it. We say, protect the middle class. You say, protect the big offshore corporate tax shelters and havens. We say reform. You say status quo. We say, solve the problem now and in the future. You say, let us keep pointing the partisan fingers of blame at the past and not solve this problem for the middle class.

They deserve better, the middle class. They deserve a real choice. They deserve real tax relief and meaningful reform which is why this substitute makes sense, and why the act that we are being given today is nothing more than more Harry Houdini trickery on the middle class taxpayers.

Mr. ENGLISH. Mr. Speaker, I yield 2 minutes to the gentleman from the State of Pennsylvania (Mr. SHUSTER).

Mr. SHUSTER. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I rise today in strong opposition to the Rangel substitute and in support of H.R. 4227. I want to thank my colleague from Pennsylvania (Mr. ENGLISH) and the gentleman from Connecticut (Mr. SIMMONS) for their leadership on this important issue.

The AMT, created over 30 years ago to ensure the super wealthy were not escaping paying taxes, has grown out of control and is now trapping millions of middle class families in a complicated and costly tax system.

Under the leadership of President Bush, the 2001 and 2003 tax relief bills passed by this Congress included increases in exemption amounts which ensured many middle income families would not be hit with this tax. If this Congress does not act, that relief will disappear in 2005.

If these exemption are allowed to expire, approximately 11 million taxpayers will be hit with an average tax increase of over \$1,500. This substitute is a misguided attempted to provide for AMT relief. While this provides temporary relief for some families, it does so by permanently raising taxes on the country's manufacturers and other corporations.

While the economy is recovering and job creation is steadily increasing, now is not the time to permanently increase taxes on our country's job creators.

I strongly support permanent reform of the AMT. And, in fact, I have introduced a bill that would index the AMT to inflation and end in a full repeal of this terrible system in 2010. While I believe a long-term solution such as this is needed to address the tax system,

doing nothing or voting to increase taxes on corporations are irresponsible options, in my view.

By extending the 2003 relief through 2005, we can continue to protect our middle class families from this tax while Congress works on a long-term solution of reform.

I encourage my colleagues to vote no on increasing taxes with this substitute and instead vote in support of the underlying bill. H.R. 4227 is a reasonable short term solution to the growing problem of AMT.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I remind the gentleman you cannot fix this on a long-term basis without doing something about the tax cuts that the gentleman was heralding a couple of minutes ago.

Mr. Speaker, I yield 3 minutes to the gentleman from North Dakota (Mr. POMEROY).

Mr. POMEROY. Mr. Speaker, here we are, another week, another tax debate. Another occasion in the House of Representatives where the GOP majority has offered nothing, nothing substantive about the looming deficit crisis that is racking up historic levels of debt in this country.

I do not suppose it is a mystery they do not want to talk about it because when they bring their budget, whenever they can get it out of conference, it will include, we are told, an increase in the borrowing limit for our country. It will take the borrowing limit to the highest levels in the history of the United States. Some are saying it will take the borrowing limit over \$10 trillion. That is \$10 trillion of debt to be incurred under their fiscal plan for this Nation. Debt we will leave to our children and debt we can not responsibly pass on.

So as we take a look at something imperative like doing something to respond to the AMT, let us, for goodness sake, put in place a provision to pay for it so we do not even drive this monstrous debt they have given us even deeper. That is what the substitute is about.

It talks about clamping down on high-flying tax cheats, some of the worst avoidance schemes, some of the most shallow, unjustifiable schemes created simply to cheat the Federal Government by the high flyers that can afford the hundreds of thousands of dollars of legal and accounting bills to dream up these schemes.

The Republican majority in this debate has become "amen corner" for tax cheats in this country. You might think the next thing we will see from this outfit is a resolution commending the Enron executives for their creative financing.

The fact is there is a whole lot of tax avoidance illegally done in this country. I am very pleased with the announcement made by IRS Commissioner Mark Everson today about an initiative launched by the IRS that

they believe is going to target just in 1,500 to potentially 5,000 multi-millionaires and corporations, a crackdown on an illegal tax scheme that they think will generate for this Treasury 5 to \$10 billion.

So do not stand over here and tell us that cracking down on tax cheats is raising taxes. Taxes are what hard working Americans pay because they owe it. But the tax avoidance and tax cheats that you salute so highly in this debate is something else again. We believe we ought to capture that revenue so we do not drive this debt deeper for our kids. That is what the substitute is about. I urge Members' support.

Mr. ENGLISH. Mr. Speaker, I yield 4 minutes to the gentleman from Arizona (Mr. HAYWORTH), a member of the Committee on Ways and Means (Mr. HAYWORTH).

Mr. HAYWORTH. Mr. Speaker, I thank my colleague from Pennsylvania for yielding me time.

Mr. Speaker, I rise in opposition to the Rangel substitute and in support of the base legislation that we are discussing here today. I think it is important to have a full perspective of what is being talked about. Part of it, of course, is the tenor of the times, where we are on the calendar, the fact that notwithstanding, the first Tuesday following the first Monday in November the people of the United States will make some decisions. Perhaps it is in order, Mr. Speaker, to remind the Nation, and certainly my colleagues in this Chamber, how we arrived at this point.

A decade ago, the largest tax increase in American history increased the alternative minimum tax rate and did not adjust the AMT exemption amounts for inflation. As a result, more and more middle income families are forced to pay the AMT each year. Now with a change in majority status, when I was pleased to come here to the Congress and become a part of this majority, the fact is we have delivered time and again on relief from the alternative minimum tax.

Public Law 107-16, the Economic Growth and Tax Relief Reconciliation Act of 2001; Public Law 107-47, the Job Creation and Worker Assistant Act of 2002; PL 108-27, Jobs and Growth Tax Relief Reconciliation Act of 2003; H.R. 3521, the Tax Relief Extension Act of 2003; H.R. 4227, the Middle Class Alternative Minimum Tax Relief Act of 2004, again providing alternative minimum tax relief by extending the relief enacted in 2003, adjusting it for inflation through 2005.

Now, my friends on the other side of the aisle reminiscent of a country song, that is their story and they are sticking to it, perhaps need to be reminded of this fact.

□ 1345

Do my colleagues know who really ends up paying corporate taxes? Mr. Speaker, the fact is every American consumer ends up paying corporate

taxes. How? Prices increase, business accommodates, oh, and just to help people understand because I listened with interest to my friend from North Dakota say that somehow we are in the amen corner, I will tell my colleagues what I do say amen to, Mr. Speaker. I say amen to more quality jobs for Americans, and the Rangel substitute will result in lost jobs by imposing a permanent tax hike on manufacturers and other job creators at a time when our economy is recovering.

I know, Mr. Speaker, for many, given the political season, any good news is bad news for partisan political fortunes; but the fact is, we have seen an increase in orders for manufacturing. Manufacturing is on the upswing. Now that we are seeing real growth, quarterly economic growth, now that we are getting there, my friends on the left, who sadly have never met a tax hike they did not like, witnessed their inaction in the wake of the largest increase in American history a decade ago now let us put the kibosh on the recovery.

How best to do that? Well, let us cost jobs to the manufacturing sector, let us demonize anyone who creates jobs, and let us go back to the time-tested bugaboo and shopworn phrase that we are only going to increase taxes on the rich because the rich are somehow inherently evil.

No, Mr. Speaker, I reject that notion wholeheartedly because what we are talking about is opening doors of opportunity through job creation. That is why we should reject the Rangel substitute, stick with my good friend from Pennsylvania, and pass, yet again, relief from the alternative minimum tax.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2½ minutes to the gentleman from New York (Mr. BISHOP).

Mr. BISHOP of New York. Mr. Speaker, I rise today in support of the Democratic substitute. I join my colleagues in offering this amendment in order to bring relief to so many families, particularly Long Island families who have been disproportionately hit by the alternative minimum tax. Our substitute would not only extend the current exemption, but it would exempt married couples with incomes under \$250,000 from this punitive tax. In addition, and this is very important, we completely pay for this tax relief to middle-income families by closing corporate loopholes.

Long Island taxpayers are paying the price for this Congress' abdication of duty when it comes to sound tax policy. Our refusal to reform the AMT has had the effect of severely curtailing the promised Bush tax cuts from middle-income Long Island families. While the wealthiest families completely benefit from the tax cuts targeted towards the upper brackets, middle-income families were hit with the unwelcome surprise of higher taxes on tax day.

I have been hearing from constituents all across Long Island who feel double-crossed and double-taxed by

this undue tax burden. In fact, just yesterday I was speaking with an accountant from my hometown who told me that AMT filings for middle-income Long Islanders had shot through the roof this year, while the wealthiest were reaping tremendous tax benefits, some in excess of \$1 million of tax savings. For example, married couples in my district with two children and an income consisting of \$15,000 in wages were forced to pay the AMT due to State income taxes and real estate taxes totaling over \$21,000. This, in turn, triggered the AMT.

More Long Islanders pay the AMT than taxpayers in any other region of the country, and I will do everything in my power to put an end to this unfair treatment. Middle-income Long Islanders bear the brunt of this tax because State and local income taxes, property taxes, and other personal deductions are added back in for the purpose of calculating the AMT, and anyone who lives on Long Island will tell my colleagues that our property taxes, in particular, are very, very high. The net effect of this is that we pay inordinately high property taxes, and then we turn around and are robbed by the AMT of our full Federal tax relief.

We need a long-term solution for the AMT and not simply a short-term fix. The so-called fix under consideration would do nothing, and I repeat nothing, for the Long Islanders who found themselves paying the AMT this year. Our substitute sends us down the path towards a long-term solution and makes sure that middle-income families are truly relieved from this tax next year. Under our substitute, two-parent families on Long Island making \$250,000 or less would be able to rest assured that they would not be forced to pay the AMT. This is the right kind of relief for working families.

In my opinion, we owe it to the American taxpayers to put our heads together and reconsider the consequences of this failed tax policy and reform the AMT so that it no longer hurts middle-income families.

Mr. ENGLISH. Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, might I inquire as to how much time is left.

The SPEAKER pro tempore (Mr. BASS). The gentleman from Massachusetts (Mr. NEAL) has 1½ minutes remaining, and the gentleman from Pennsylvania (Mr. ENGLISH) has 4¼ minutes remaining.

Mr. NEAL of Massachusetts. Is the gentleman prepared to close?

Mr. ENGLISH. Yes.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself the time that is left.

Mr. Speaker, we have had this debate now in this House for a long period of time. For Members on the majority side to say, well, this was a Democratic proposal in 1986 and then to conveniently forget or suggest that during their 10 years that they have not had

sufficient opportunity, working, by the way, with a willing minority to fix the issue, really does not make a great deal of sense. This issue is hanging out there. It is waiting for a solution. There ought to be an opportunity in a bipartisan manner to fix it.

I have said flatly I am in favor of repealing the alternative minimum tax. Let us get rid of it. There is a revenue gap to make up, \$600 billion, that has to be found somewhere; but when we offer the suggestion, it goes nowhere, because it does not square, Mr. Speaker, with the tax cuts that the administration has offered and that the compliant Members of the majority have gone along with without ever, ever, ever asking a question.

Forbes magazine has suggested that the tax cuts that the Republican majority and the administration have offered only make the alternative minimum tax issue worse for middle-income Americans. We have heard today a suggestion that issues of war in the Middle East and in Afghanistan are irrelevant to these discussions. How are we going to pay for the troops, 134,000 that are in Iraq and 12,000 that are in Afghanistan, and support this war effort? How are we going to pay for, first, the Defense budget that goes to \$421 billion at the conclusion of this session, \$41 billion for homeland security? They are off by \$140 billion in their prescription drug bill proposal; and the answer is, to all of this, tax cuts.

Mr. Speaker, we can fix the alternative minimum tax issue in a bipartisan manner. I am more than happy to offer my support to try to get that under way. Support the Democratic alternative today. It, in the end, is responsible tax policy, and show those people at Enron and show those people in Bermuda that they ought to pay like the rest of the American people.

Mr. ENGLISH. Mr. Speaker, I yield myself the balance of my time, and first of all, thank the gentleman for his contribution and take him up on his offer because we in the Zero AMT Caucus would like to work for permanent resolution of this problem. We would like to see a permanent repeal of the AMT; but unfortunately, in the current political climate, in the current climate of gridlock and recrimination that we have in Washington, nothing more elaborate than the current fix appears to be possible.

Let me say there are a couple of things that I need to correct at the outset.

It was suggested by the gentlewoman from Texas that our bill is a tax increase. It is very hard to understand how she would make that point; but to be clear, this provides critical tax relief for a significant portion of the middle class.

The gentleman from Long Island intimated that there was nothing in this bill to help these people. Well, as a practical matter, a place like Long Island would be one of the biggest beneficiaries of the underlying Republican bill because of the high taxes.

Let me say that the gentleman from Michigan talked about a tax train wreck. I come from a part of the world where we make locomotives, and we recognize their dynamics; and let me say that we recognize that the locomotive that was started, that is threatening, the train wreck was started back when the other party controlled the Chamber and did not deal with an underlying problem by making the AMT responsive to increases in the cost of living.

We have heard procedural arguments from the other side, that the committee has not looked closely enough at this issue; and I reject those because the committee clearly has been tracking this issue from the get-go.

What we have instead is the core issue, which is the substitute being offered today and which, on the other side, they are proposing to dramatically increase the complexity of the Tax Code and also significantly raise corporate taxes on a permanent basis in order to provide temporary tax relief. They congratulate themselves for doing that, but I do not think that they are entitled to a new chapter in "Profiles in Courage."

My feeling is that the substitute is inherently a bait-and-switch and increasing taxes at a time when we are experiencing, we are trying to come out of a slow-down. We are, in a sense, embracing Herbert Hoover economics.

I think that the substitute is very ill conceived. It, among other things, imposes a burden on the corporate community at a time when we worry about competitiveness; but that burden is far greater than the one simply indicated by the expected revenue. This is a burden which will permanently change behavior and affect legitimate business transactions. So the rhetoric of the gentleman from North Dakota that this only affects tax cheats is unfortunately not accurate. This is going to be an enormous burden for the corporate sector coming at a most unfortunate time.

Ultimately, I sense that the reason why the folks on the other side have not been as aggressive and certainly in many cases not as aggressive as the gentleman from Massachusetts to deal with this problem is that they want to spend the money. May I suggest, in the end, we get to the solution on reforming the corporate AMT, not by undercutting the tax bill, not by undercutting the tax program which is revitalizing America's economy today, but ultimately by controlling our spending. That is how we will in the context of a growing economy get back to a balanced budget and I think in the long run also have room to deal with this AMT.

Again, I invite our friends on the other side of the aisle to work with us on this issue. We have an opportunity to do this on a bipartisan basis. This is a part of the Tax Code that we agree on, but I think the solution starts today with a rejection of the ill conceived substitute that is being offered

by the other side and passage of the underlying legislation.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. All time has expired.

Pursuant to House Resolution 619, the previous question is ordered on the bill and on the amendment offered by the gentleman from Massachusetts (Mr. NEAL).

The question is on the amendment in the nature of a substitute offered by the gentleman from Massachusetts (Mr. NEAL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. NEAL of Massachusetts. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 197, nays 228, not voting 8, as follows:

[Roll No. 143]  
YEAS—197

Abercrombie	Evans	McCarthy (NY)
Ackerman	Farr	McCollum
Alexander	Fattah	McDermott
Allen	Ford	McGovern
Andrews	Frank (MA)	McIntyre
Baca	Frost	McNulty
Baird	Gephardt	Meehan
Baldwin	Gonzalez	Meek (FL)
Ballance	Gordon	Meeks (NY)
Becerra	Green (TX)	Menendez
Bell	Grijalva	Michaud
Berkley	Gutierrez	Millender-
Berman	Harman	McDonald
Berry	Hastings (FL)	Miller (NC)
Bishop (GA)	Hill	Miller, George
Bishop (NY)	Hinchee	Moore
Blumenauer	Hinojosa	Moran (VA)
Boswell	Hoeffel	Nadler
Boucher	Holden	Napolitano
Brady (PA)	Holt	Neal (MA)
Brown (OH)	Honda	Oberstar
Brown, Corrine	Hooley (OR)	Obey
Capps	Hoyer	Olver
Capuano	Insee	Ortiz
Cardin	Israel	Owens
Cardoza	Jackson (IL)	Pallone
Carson (IN)	Jackson-Lee	Pascrell
Case	(TX)	Pastor
Chandler	Jefferson	Payne
Clay	John	Pelosi
Clyburn	Johnson, E. B.	Peterson (MN)
Conyers	Jones (OH)	Pomeroy
Cooper	Kaptur	Price (NC)
Costello	Kennedy (RI)	Rahall
Cramer	Kildee	Rangel
Crowley	Kilpatrick	Reyes
Cummings	Kind	Rodriguez
Davis (AL)	Kiecicka	Ross
Davis (CA)	Kucinich	Rothman
Davis (FL)	Lampson	Roybal-Allard
Davis (IL)	Langevin	Ruppersberger
Davis (TN)	Lantos	Rush
DeFazio	Larsen (WA)	Ryan (OH)
DeGette	Larson (CT)	Sabo
Delahunt	Lee	Sanchez, Linda
DeLauro	Levin	T.
Deutsch	Lewis (GA)	Sanchez, Loretta
Dicks	Lipinski	Sanders
Dingell	Lofgren	Sandlin
Doggett	Lowe	Schakowsky
Dooley (CA)	Lucas (KY)	Schiff
Doyle	Lynch	Scott (GA)
Edwards	Majette	Scott (VA)
Emanuel	Maloney	Serrano
Engel	Markey	Sherman
Eshoo	Marshall	Skelton
Etheridge	McCarthy (MO)	Slaughter

Smith (WA)	Thompson (CA)	Waters
Snyder	Thompson (MS)	Watson
Spratt	Tierney	Watt
Stark	Towns	Waxman
Stenholm	Turner (TX)	Weiner
Strickland	Udall (CO)	Wexler
Stupak	Udall (NM)	Woolsey
Tanner	Van Hollen	Wu
Tauscher	Velázquez	Wynn
Taylor (MS)	Visclosky	

NAYS—228

Aderholt	Gillmor
Akin	Gingrey
Bachus	Goode
Baker	Goodlatte
Ballenger	Goss
Barrett (SC)	Granger
Bartlett (MD)	Graves
Barton (TX)	Green (WI)
Bass	Gutknecht
Beauprez	Hall
Bereuter	Harris
Biggert	Hart
Bilirakis	Hastings (WA)
Bishop (UT)	Hayes
Blackburn	Hayworth
Blunt	Hefley
Boehler	Hensarling
Boehner	Henger
Bonilla	Hobson
Bonner	Hoekstra
Boozman	Hostettler
Bradley (NH)	Houghton
Brady (TX)	Hulshof
Brown (SC)	Hunter
Brown-Waite,	Brown-Waite,
Ginny	Isakson
Burgess	Issa
Burns	Istook
Burr	Jenkins
Burton (IN)	Johnson (CT)
Buyer	Johnson (IL)
Calvert	Johnson, Sam
Camp	Jones (NC)
Cannon	Kanjorski
Cantor	Keller
Capito	Kelly
Carson (OK)	Kennedy (MN)
Carter	King (IA)
Castle	King (NY)
Chabot	Kingston
Chocola	Kirk
Coble	Kline
Cole	Knollenberg
Collins	Kolbe
Cox	LaHood
Crane	Latham
Crenshaw	LaTourette
Cubin	Leach
Culberson	Lewis (CA)
Cunningham	Lewis (KY)
Davis, Jo Ann	Linder
Davis, Tom	LoBiondo
Deal (GA)	Lucas (OK)
DeLay	Manzullo
Diaz-Balart, L.	Matheson
Diaz-Balart, M.	McCotter
Doolittle	McCrery
Dreier	McHugh
Duncan	McInnis
Dunn	McKeon
Ehlers	Mica
Emerson	Miller (FL)
English	Miller (MI)
Everett	Miller, Gary
Feeney	Mollohan
Ferguson	Moran (KS)
Flake	Murphy
Foley	Murtha
Forbes	Musgrave
Fossella	Myrick
Franks (AZ)	Nethercutt
Frelinghuysen	Neugebauer
Galleghy	Ney
Garrett (NJ)	Northup
Gerlach	Norwood
Gibbons	Nunes
Gilchrist	Nussle

NOT VOTING—8

Bono	Filner	Solis
Boyd	Greenwood	Tauzin
DeMint	Matsui	

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. BASS) (during the vote). Members are

reminded that 2 minutes remain in this vote.

□ 1425

Mr. TAYLOR of North Carolina, Mr. KNOLLENBERG, Mrs. JOHNSON of Connecticut, Mrs. MUSGRAVE and Mr. FEENEY changed their vote from "yea" to "nay."

Mr. ORTIZ changed his vote from "nay" to "yea."

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

Stated for:

Mr. FILNER. Mr. Speaker, on rollcall No. 143, I was unavoidably detained, and I missed the vote. Had I been present, I would have voted "yes."

Ms. SOLIS. Mr. Speaker, during rollcall vote No. 143 on the Neal Substitute Amendment, I was unavoidably detained. Had I been present, I would have voted "yes."

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. ENGLISH. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 333, nays 89, not voting 11, as follows:

[Roll No. 144]  
YEAS—333

Ackerman	Burton (IN)	Doolittle
Aderholt	Buyer	Dreier
Akin	Calvert	Duncan
Alexander	Camp	Dunn
Allen	Cannon	Edwards
Baca	Cantor	Ehlers
Bachus	Capito	Emerson
Baker	Cardin	Engel
Baldwin	Cardoza	English
Ballance	Carson (OK)	Eshoo
Ballenger	Carter	Etheridge
Barrett (SC)	Castle	Evans
Bartlett (MD)	Chabot	Everett
Barton (TX)	Chandler	Farr
Bass	Chocola	Feeney
Beauprez	Clay	Ferguson
Bell	Coble	Flake
Bereuter	Cole	Foley
Berkley	Collins	Forbes
Biggert	Costello	Ford
Bilirakis	Cox	Fossella
Bishop (GA)	Cramer	Franks (AZ)
Bishop (NY)	Crane	Frelinghuysen
Bishop (UT)	Crenshaw	Frost
Blackburn	Crowley	Galleghy
Blunt	Cubin	Garrett (NJ)
Boehler	Culberson	Gephardt
Boehner	Cunningham	Gerlach
Bonilla	Davis (AL)	Gibbons
Bonner	Davis (CA)	Gilchrist
Boozman	Davis (TN)	Gillmor
Boswell	Davis, Jo Ann	Gingrey
Boucher	Davis, Tom	Gonzalez
Bradley (NH)	Deal (GA)	Goode
Brady (TX)	DeFazio	Goodlatte
Brown (OH)	DeGette	Gordon
Brown (SC)	Delahunt	Goss
Brown, Corrine	DeLay	Granger
Brown-Waite,	Deutsch	Graves
Ginny	Diaz-Balart, L.	Green (WI)
Burgess	Diaz-Balart, M.	Gutknecht
Burns	Doggett	Hall
Burr	Dooley (CA)	Harman

Harris	McCarthy (NY)	Ros-Lehtinen	Visclosky	Watt	Wexler
Hart	McCotter	Ross	Watson	Waxman	Woolsey
Hastings (WA)	McCrary	Royce			
Hayes	McHugh	Ruppersberger			
Hayworth	McInnis	Ryan (OH)	Bono	Greenwood	Tauzin
Hefley	McIntyre	Ryan (WI)	Boyd	Honda	Waters
Hensarling	McKeon	Ryun (KS)	Cummings	Jackson-Lee	
Herger	Meehan	Sanchez, Loretta	DeMint	(TX)	
Hinojosa	Meek (FL)	Sanders	Filner	Solis	
Hobson	Meeks (NY)	Sandlin			
Hoeffel	Mica	Saxton			
Hoekstra	Michaud	Schiff			
Holden	Millender-	Schrock			
Hooley (OR)	McDonald	Scott (GA)			
Hostettler	Miller (FL)	Sensenbrenner			
Houghton	Miller (MI)	Sessions			
Hulshof	Miller (NC)	Shadegg			
Hunter	Miller, Gary	Shaw			
Hyde	Miller, George	Shays			
Isakson	Moore	Sherwood			
Israel	Moran (KS)	Shimkus			
Issa	Moran (VA)	Shuster			
Istook	Murphy	Simmons			
Jefferson	Musgrave	Simpson			
Jenkins	Myrick	Skelton			
John	Nadler	Slaughter			
Johnson (CT)	Nethercutt	Smith (MI)			
Johnson (IL)	Neugebauer	Smith (NJ)			
Johnson, E. B.	Ney	Smith (TX)			
Johnson, Sam	Northup	Snyder			
Jones (NC)	Norwood	Souder			
Jones (OH)	Nunes	Stearns			
Kaptur	Nussle	Strickland			
Keller	Osborne	Stupak			
Kelly	Ose	Sullivan			
Kennedy (MN)	Otter	Sweeney			
Kennedy (RI)	Owens	Tancredo			
Kildee	Oxley	Tanner			
Kind	Pascarell	Tauscher			
King (IA)	Paul	Taylor (NC)			
King (NY)	Pearce	Terry			
Kingston	Pence	Thomas			
Kirk	Peterson (MN)	Thompson (MS)			
Klecza	Peterson (PA)	Thornberry			
Kline	Petri	Tiaht			
Knollenberg	Pickering	Tiberi			
Kolbe	Pitts	Toomey			
LaHood	Platts	Turner (OH)			
Lampson	Pombo	Udall (CO)			
Langevin	Pomeroy	Upton			
Lantos	Porter	Van Hollen			
Latham	Portman	Vitter			
LaTourette	Price (NC)	Walsh			
Leach	Pryce (OH)	Wamp			
Lewis (CA)	Putnam	Weiner			
Lewis (KY)	Quinn	Weldon (FL)			
Linder	Radanovich	Weldon (PA)			
Lipinski	Rahall	Weller			
LoBiondo	Ramstad	Wells			
Lofgren	Regula	Whitfield			
Lowey	Rehberg	Wicker			
Lucas (KY)	Renzi	Wilson (NM)			
Lucas (OK)	Reyes	Wilson (SC)			
Lynch	Reynolds	Wolfe			
Majette	Rodriguez	Wu			
Maloney	Rogers (AL)	Wynn			
Manzullo	Rogers (KY)	Young (AK)			
Marshall	Rogers (MI)	Young (FL)			
Matheson	Rohrabacher				

NAYS—89

Abercrombie	Hill	Olver
Andrews	Hinchev	Ortiz
Baird	Holt	Pallone
Becerra	Hoyer	Pastor
Berman	Inslee	Payne
Berry	Jackson (IL)	Pelosi
Blumenauer	Kanjorski	Rangel
Brady (PA)	Kilpatrick	Rothman
Capps	Kucinich	Roybal-Allard
Capuano	Larsen (WA)	Rush
Carson (IN)	Larson (CT)	Sabo
Case	Lee	Sánchez, Linda
Clyburn	Levin	T.
Conyers	Lewis (GA)	Schakowsky
Cooper	Markey	Scott (VA)
Davis (FL)	Matsui	Serrano
Davis (IL)	McCarthy (MO)	Sherman
DeLauro	McCollum	Smith (WA)
Dicks	McDermott	Spratt
Dingell	McGovern	Stark
Doyle	McNulty	Stenholm
Emanuel	Menendez	Taylor (MS)
Fattah	Mollohan	Thompson (CA)
Frank (MA)	Murtha	Tierney
Green (TX)	Napolitano	Towns
Grijalva	Neal (MA)	Turner (TX)
Gutierrez	Oberstar	Udall (NM)
Hastings (FL)	Obey	Velázquez

Watt	Wexler
Waxman	Woolsey

NOT VOTING—11

Bono	Greenwood	Tauzin
Boyd	Honda	Waters
Cummings	Jackson-Lee	
DeMint	(TX)	
Filner	Solis	

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE  
 The SPEAKER pro tempore (Mr. BASS) (during the vote). Members are advised there are 2 minutes remaining in this vote.

□ 1442

Mr. GEORGE MILLER of California changed his vote from "nay" to "yea." So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. FILNER. Mr. Speaker, on rollcall No. 144, I was unavoidably detained, and I missed the vote. Had I been present, I would have voted "yea."

Mr. HONDA. Mr. Speaker, on rollcall No. 144, had I been present, I would have voted "yea."

Ms. SOLIS. Mr. Speaker, during rollcall vote No. 144 on final passage on H.R. 4227, I was unavoidably detained. Had I been present, I would have voted "No."

PERSONAL EXPLANATION

Ms. JACKSON-LEE of Texas. Mr. Speaker, on rollcall vote No. 144, I was unavoidably detained in a meeting with the Secretary of State. If I had been present, I would have voted "no."

GENERAL LEAVE

Mr. ENGLISH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on the subject of the bill, H.R. 4227, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

MOTION TO INSTRUCT CONFEREES ON S. CON. RES. 95, CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2005

Mr. MOORE. Mr. Speaker, I offer a motion to instruct.

The SPEAKER pro tempore (Mr. LAHOOD). The Clerk will report the motion.

The Clerk read as follows:

Mr. MOORE of Kansas moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the House amendment to the concurrent resolution S. Con. Res. 95 be instructed to agree to the pay-as-you-go enforcement provisions within the scope of the conference regarding direct spending increases and tax cuts in the House and Senate. In complying with this instruction, such managers shall be instructed to recede to the

Senate on the provisions contained in section 408 of the Senate concurrent resolution (relating to the pay-as-you-go point of order regarding all legislation increasing the deficit as a result of direct spending increases and tax cuts).

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Kansas (Mr. MOORE) and the gentleman from Pennsylvania (Mr. TOOMEY) each will control 30 minutes.

The Chair recognizes the gentleman from Kansas (Mr. MOORE).

Mr. MOORE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we have in this country a \$7.1 trillion national debt. We have a projected deficit by the Office of Management and Budget for this year alone of \$521 billion. The interest on our national debt, \$7.1 trillion, is almost \$1 billion a day. We are in a hole, Mr. Speaker, and we are digging the hole deeper and deeper by our lack of fiscal responsibility.

American families live by three simple rules: Number one, do not spend more money than they make; number two, pay off their debts; and, number three, invest in basics in the future. The basics for an American family are food, shelter, transportation, health care, education, things that we write checks for, bills that we write checks for, every month. And the same basics for our country, our national defense, some sort of Social Security system, some sort of national highway system to transport goods around this country and keep our economy going. And yet the government, our government and our Congress, has not lived by these rules that American families lived by for many years, and to show for that we have a \$7.1 trillion debt.

We need to get back to fiscal responsibility. We have an opportunity to do that. We have done it before and we should do it again. I am not playing partisan politics here. I do not blame President Bush for a slowdown and the recession that happened. I do not blame President Bush certainly for September 11. That was only the maniacs that created that horrible problem and killed 3,000 Americans. But we have got to get back to fiscal responsibilities here, and we are not doing it right now. In fact, the Committee on the Budget, and I see the chairman over here, passed a PAYGO rule requiring only that if we are going to have a new spending proposal, we have to abide by the rule that says it has got to be offset or paid for.

They did not apply the same rule, though, to tax cuts. The Senate, on a bipartisan basis, did apply the rule to tax cuts and to spending proposals, and I think we need to look at doing the same thing here. And this is a motion to instruct conferees to institute that kind of PAYGO procedure here.

□ 1445

If we do that, Mr. Speaker, we have an opportunity as a Nation to return to fiscal responsibility.

Mr. Speaker, I reserve the balance of my time.