

In this Congress, there are five Asian Pacific Americans serving our Nation and their communities as members of the House of Representatives and two Asian Pacific Americans serving in the Senate.

In the field of science and technology, Asian Pacific Americans have long contributed to our country, from Ellison Onizuka, the first Asian-American in space, to Flossi Wong-Staal and Dr. David D. Ho, for their work on HIV and AIDS. Moreover, several Asian Pacific Americans have received Nobel Prizes for their accomplishments in science and technology.

Hundreds of thousands of Asian Pacific Americans have also loyally served our Nation in the military willing to give their life for the United States of America. Asian Pacific American veterans of the Armed Forces number 284,000.

In sports, Asian Pacific Americans have helped bring home Olympic gold medals for the United States, including the first woman to win gold medals in the ten and three meter diving events—Filipina American Victoria Manalo Draves.

Although it is important for us to celebrate Asian Pacific American heritage this month, we must not forget the plight that Asian Pacific Americans endure despite the community's many accomplishments.

The pitfalls of immigration law and the backlog of immigration applications continue to prevent many Asian Pacific American families from reuniting for several years.

We must also not forget the APA community suffers from greater poverty than non-Hispanic Whites, especially in the Hmong, Laotian, Cambodian, and Vietnamese American communities.

We must work to ensure that Asian Pacific Americans are appropriately counted when our government collects data that will be used to understand the needs of the APA community.

We must make every effort to invite Asian Pacific Americans to participate in government to ensure that our government meets the needs of the APA community.

In commemoration of Asian Pacific American Heritage Month, I honor the contributions of millions of Asian Pacific Americans who have contributed to our Nation and who I am sure will continue to contribute in the future. But while I celebrate this month, I also renew my pledge to address the issues affecting Asian Pacific Americans around the country.

Ms. WATSON. Mr. Speaker, I rise today to commemorate Asian Pacific American Heritage Month and to celebrate the lives and accomplishments of Asian Pacific Americans in U.S. history. I want to thank Congressman HONDA and Congressman ENI FALEOMAVAEGA, the new Chair and Vice Chair of the Congressional Asian Pacific American Caucus, for organizing this special order. In particular, I want to recognize the contributions of Korean Americans in my district and commend them for their tireless work in improving the city of Los Angeles.

Last month this chamber unanimously approved legislation that I sponsored to designate a U.S. Post Office in the Koreatown section of my district be named the "Dosan Ahn Chang Ho Post Office." Dosan Ahn Chang Ho, who spent his formative years in the United States, is credited by many as the spiritual father of modern, independent, democratic Korea. During his stay in Los Angeles, at the beginning of the 20th century, he

worked to unite the Korean-American community, founding schools and cultural organizations, and helping improve living and working conditions for his fellow Korean Americans. I am proud to be the sponsor of this legislation and grateful to the House for paying this timely tribute to a great Korean American.

Mr. Speaker, the contributions of Asian Pacific Americans to the growth and success of this great nation can never be overstated. The history of their struggle and triumph in the United States must be re-told. We need to remember that it was the Chinese immigrants who toiled in the mines during the California Gold Rush of the 1800s and helped construct the transcontinental railroad in the 1860s. And we can never forget how Americans of Japanese ancestry were placed in internment camps during World War II, one of the saddest and most notorious chapters in our nation's history.

I also want to take this opportunity to share with you the rich and diverse history of Korean immigration to Los Angeles. Although a small number of Koreans had immigrated to the United States at the beginning of the twentieth century, major waves of Korean migration to America did not occur until Congress passed the 1965 Immigration Act abolishing the quota system that had restricted the numbers of Asians allowed to enter this country. Since then, Korea has become one of the top five countries of origin of emigrants to the United States.

Among the more than one million Korean Americans today, roughly 33 percent are settled in California, making it the state with the largest Korean American population. Today, Los Angeles is home to the largest concentration of Koreans outside of Korea, roughly 160,000 people. Located in my district, Koreatown is the hub of the Korean community and vital to our local economy. It is fabled that from the establishment of a single Korean store at the corner of Olympic Boulevard and Hobart Street in 1969 emerged today's Koreatown, which stretches from Beverly Boulevard and Pico Boulevard to the north and south and Hoover and Crenshaw on the east and west. Although 68 percent of the people living within these boundaries are Latinos, Korean Americans are the predominant business owners, and the area serves as a cultural, business, and social center for not just Korean Americans but all of Los Angeles.

Indeed, for the past four decades, the district that I represent has thrived with the contribution of Koreatown. The willingness of Korean-American merchants to sacrifice for their future generations by working extremely long hours and overcoming linguistic and cultural barriers has led to many successful enterprises crucial to the growth of our local economy. For example, today Korean Americans own 46 percent of small grocery markets, and 45 percent of one-hour photo shops in Southern California, all of which demonstrate the critical role Korean Americans play in our communities. The Hanmi Bank, located on Wilshire Blvd., has become a major financial institution in the Korean-American community as well as to others in the greater Los Angeles area.

Mr. Speaker, today Asian Pacific Americans continue to gain new grounds in ever greater social and political representation. As we commemorate and celebrate the crucial role Asian-Pacific Americans have played in the

development of this Nation, we also must work harder to improve the lives and opportunities for the 12.5 million Asian Pacific Americans today, who are still confronted daily with prejudice, discrimination, and economic inequalities. The 1992 Los Angeles civil disturbances, in the aftermath of the Rodney King verdict, is one such tragic example that illustrates the need for continued dialogue and understanding.

Nationally, Asian Pacific Americans continue to experience a crisis in health and health care disparity and face unique challenges in education, immigration, and economic development. It is very disappointing to me that this Administration has failed to renew the Advisory Commission on Asian Americans and Pacific Islanders and the White House Initiative on Asian American and Pacific Islanders (AAIPs) in the Department of Health and Human Services (HHS). As a member of Congress I will continue to fight to ensure that our government address the needs of Asian Pacific Americans. Let's work to renew the American Dream for many future generations of Asian Pacific Americans to come.

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

#### REPLACING THE INTERNAL REVENUE SERVICE WITH A NATIONAL SALES TAX

The SPEAKER pro tempore (Mr. CHOCOLA). Under the Speaker's announced policy of January 7, 2003, the gentleman from Georgia (Mr. LINDER) is recognized for 60 minutes as the designee of the majority leader.

Mr. LINDER. Mr. Speaker, I would like to add my voice to those of my friends in the Asian Pacific community for honoring those who have served.

I would like to spend the next hour talking a little bit about the economy and what we can do to even improve it more. We should be grateful for the growth we have seen. Four years ago, we saw the dot-com bust that cost \$5 trillion in value for shareholders, we saw the beginnings of corporate fraud, which have been dealt with, and we saw a downturn in the economy which is causing losses of jobs.

President Bush, to his credit, stood tough by a decision to leave people more of the money they earn in their own pockets, and had several important tax cuts; and the American people, not government, not Congress, not us, but the American people have turned around an economy to create a boom that is going on right now, with 600,000 jobs created just in the last 2 months.

The American people deserve the credit for that, but there is still one anchor on the neck of the economy. The biggest drag on the neck of the economy is the IRS. 230 years ago, Adam Smith wrote that the market was the invisible hand of the economy. I agree with that. And 230 years later, we can say that the visible foot on the throat of the economy is the IRS code.

We spend 6.9 billion man-hours just filling out IRS paperwork. At \$20 an hour, which is a \$40,000-a-year job, that is \$240 billion lost.

Corporate leaders tell us they spend more calculating the tax implications of a business decision. A friend of mine who was on a board of directors came back from a meeting of one of the Fortune 100 companies, and he said, "We spent 80 percent of the entire meeting calculating the tax implications of a business decision. We should be thinking about our shareholders, our employees and our customers, and not the government." We believe we spend more than 6.9 billion man-hours just calculating that.

Studies have shown that we lose 18 percent of our economy to people making decisions for tax reasons instead of economic reasons. That is a \$180 billion loss.

All of this is to say the following: the American people spend upwards of \$500 billion a year to comply with a code to send in just four times that much to the government. And who pays it? The consumer. This is not rich corporate America or investing America. All of the bills of corporate America are paid by the final consumer, who cannot pass those costs on. The consumer picks up the entire tab.

We have studies that show for a small business to collect \$100, comply with the Tax Code, remit that \$100 to the Federal Government, it costs them \$724. This is not an efficient way to raise our revenues.

It is time for the IRS to go away, it is time for the income tax to go away, and H.R. 25 will do just that. H.R. 25, which has tonight I think 49 cosponsors, would abolish all taxes on income, the corporate income tax, the personal income tax, the payroll tax.

Seventy-five percent of America pays more in payroll taxes than they do in income taxes. It would get rid of the gift tax, the estate tax, the capital gains tax, the Alternative Minimum Tax for a one-time-at-the-checkout retail sales tax.

Americans would pay taxes when they choose, as much as they choose, by how they choose to spend. And to untax essentials. We would not define them; that is a political operation that would be fought in the halls here. Nor would we follow you around to make sure you spend on essentials. That is a police operation we cannot afford.

We would use the government's definition of poverty-level spending, which is that spending necessary for a given size household to buy their essentials. It is determined every January by the Department of HHS. For my mother that is \$9,500 a year. For my daughter and son-in-law and four grandsons, that is \$30,000 a year. For George and Laura Bush and their two daughters, that is \$24,500 a year.

Their check at the beginning of every month would totally rebate the tax consequence of spending up to the poverty line. Beyond that, we are all discretionary spenders, and we all pay the same.

Over the last 9 years, Americans for Fair Taxation has raised privately and

spent \$25 million on economic research, market research, spreading the word. The most compelling study we have is from Dale Jurgensen, who is the head of economics at Harvard, that says today, 22 percent of what you spend at retail is the imbedded cost to the IRS.

Twenty-two percent of what we pay for at the checkout counter is paying the tax bills of America. If you take a loaf of bread that has been touched by a seed company, a farmer, a combine operation, a trucking company, a processing company, a bakery, a cardboard manufacturer, a distribution company, a retail outlet, the people who make tractors and plows, all of those companies have income tax costs and payroll tax costs, and accountants and attorneys to avoid the tax costs, and the consumer pays it. The consumer pays everything. And when you think about it, there is no mechanism for a business to pay a bill, other than through price.

In 41 years, my wife and I have built six businesses. We always looked for that "secret drawer" where the money just kind of piles up and you help yourself to it to pay your tax bill and your payroll taxes. It is not there.

Our patients, when I was a dentist, our customers in business, paid our labor cost, our light bill, our rent and our tax bill; and our studies say that the tax component in the price system is 22 percent of what you spend.

We say abolish that system, repeal the Tax Code, let competition quickly work that out of the system and replace it with an imbedded 23 percent, a frank and transparent tax. It will fund the government at the current level, but you get to keep your whole check, and you will all be voluntary taxpayers, as I said earlier, paying taxes when you choose, as much as you choose, by how you choose to spend.

What will happen in the world? The first year we will have a 26 percent increase in exports. That is good for jobs, corporate profits and good for America. The first year you will have a 78 percent increase in capital investment.

We know in a study done from 1945 to 1995, that every time we increase capital spending, we increase real take-home wages in exactly the same proportion because workers are more productive.

We have overseas somewhere between \$500 billion and \$1 trillion floating around in Euro dollar markets because it is cheaper to borrow at 6 percent than to repatriate those dollars at 35 percent, and it is easier to spend them overseas at no tax consequences.

All of that money would come home. All that money would come home and put new liquidity into our economy and create jobs. We know it costs \$100,000 to create one job in all America. All of that money would come to job creation.

We have seen studies that suggest that every major international corporation that is domiciled overseas, in Europe or Japan or Latin America, if

we had no tax on capital or labor, every one of those corporations would build their next plant in the United States.

□ 2200

We know that DaimlerChrysler really wanted to be ChryslerDaimler; they really wanted to be in New York City, but the crushing way we treat capital in America with our tax system led them to Stuttgart.

We have a Social Security system and a Medicare system that is destined for collapse. A very recent study by Larry Kotlikoff from Boston College says that the 75-year unfunded liability in Social Security and Medicare; that is to say, promises we have made for retirees in that period of time for which there is no money set aside and will not be any, a shortfall, in today's dollars, not inflated dollars, but today's dollars, the 75-year unfunded liability to those programs is \$51 trillion.

To put that in perspective, if you started a business on the day Jesus Christ was born and lost \$1 million a day through yesterday, it would take another 720 years to lose \$1 trillion. In 75 years, we are going to have a shortfall of \$51 trillion in those programs. The entire wealth of America, that is everything we own of value, our cars, our homes, our retirement programs, and our shares, including Bill Gates and Warren Buffett. The entire wealth of America is \$43.8 trillion. If we were to take everything away from every American and apply the value to the shortfall in those funds, in those two programs, we would cover 80 percent of the shortfall.

We say fund Social Security and Medicare out of the sales tax, go from 138 million workers paying into the system to 300 million Americans buying every day, paying into the system, plus 51 million visitors to our shores, and fund Social Security and Medicare off the overall size of the economy as opposed to the number of people working in it or the amount we are willing to tax those workers, and we would double the revenues to those categories in 15 years by doubling the size of the economy in 15 years, well before we need to do so.

We hear a lot of talk from people, in our Treasury Department particularly, that a tax of that amount would cause evasion of an enormous scale. My response to them is twofold. Number one, we are already paying this; it is just hidden. The cost of living is going to be about the same, but we will keep our whole check. But more importantly, currently, all you have to do to evade taxes is to lie on your tax return, put down the wrong numbers, sign it, send it in, and the chances are that nobody will know. You have a less than 1 percent chance of being audited. Under our system, you are going to have to have somebody cooperate with you, conspire with you to cheat. Now, I do not know how many friends you have

that are willing to go to jail for you. I have none. I have none. It is going to be tougher to cheat on this system, because it is going to take two to do so.

Secondly, on the evasion issue, the IRS currently tells us that they collect 75 percent of the taxes that they know are owed. They are unwilling to guess how large the underground economy is, because no one knows. Well, 6 or 8 months ago a book came out on this issue by an economist who said that three pieces of the underground economy, pornography, illegal drugs, and illegal labor, those three pieces comprise a \$1 trillion economy, untaxed.

Under our system, if they wanted to buy that loaf of bread or a new house or a new car, they would pay their fair share. Always in these discussions in politics, it comes down to who is going to win and who is going to lose. My argument has been consistent: Everybody is a winner. If you can become a voluntary taxpayer and be untaxed on essentials, everybody wins. If we can give you a tax system that gives you in a free society the privilege of anonymity, no one should know as much about it as their government does, you are a winner. But in point of fact, the people coming out the best in this system are people living at or below the poverty level who are currently losing 22 percent of their purchasing power to the current system. They will have a huge increase in purchasing power.

Frankly, this is a tax on accumulated wealth. The left should love this idea. If you pay taxes on your earnings, you pay taxes on building a business, you pay capital gains tax when you sell it, this system is going to tax you one more time when you or your heirs spend the money. They should love that.

To those who have accumulated wealth, I would just say this: You are already paying this tax. But what do you think is going to happen to your nest egg if all the world's investors are going to invest in our economy with no tax consequences? I do not know, but I can tell my colleagues of two nationally known names who manage money and say, I do not know what the value of the Dow Jones would be at when you pass this bill, but in 2 years it will have doubled. All the trillions in the world would be in our economy, buying our shares, increasing the value of the nest egg, and creating jobs.

There are all kinds of reasons to do this, most important of which is freedom, giving you the freedom to make your own decisions and not be under a corrosive system. But right now, as the Secretary of the Treasury told me, this would make us the largest magnet for capital and jobs in history.

So I suggest to my colleagues, several of them who have not signed this bill, to sign it. I suggest to you that if you want to create jobs, the way to do it is to get the tax off capital and labor and the jobs would come. For the very reason today jobs are going overseas because of the Tax Code, they would

come flocking to our shores tomorrow. And let us move on and build our economy.

I yield to the gentleman from Georgia.

Mr. COLLINS. Mr. Speaker, I appreciate the gentleman from Georgia yielding, and I want to thank him, too, for bringing this event here tonight, this opportunity to speak on the fair tax, as well as introducing the fair tax bill into the House of Representatives. I am also pleased that our two colleagues in the other body have also introduced the same legislation over there.

I have the opportunity to speak quite often to large groups and people who are very interested in the tax system, particularly the change in the tax system. But I am asked a lot of questions and I just thought maybe we might go through some of those questions here tonight, if the gentleman does not mind.

The gentleman mentioned the rebate. This is for the necessities in life. Just exactly how would the rebate work? How is it structured and how would it work? Who receives the rebate? What do they have to have in order to receive the rebate?

Mr. LINDER. Mr. Speaker, first of all, the IRS would be gone. Our Treasury Department would have several thousand people contracting with the States to do the collecting. Forty-five States are already collecting sales tax. They have mechanisms in place to judge whether there is fraud involved.

We would contract with the States to collect the money and we would pay them a quarter of a percent for everything they brought in for doing so, just as we would pay the retailer a quarter of a percent for collecting it. Every household in the State would sign up with that State once a year or, if they had children during the year, sign up again, and list the numbers of people in the household and their Social Security numbers so we do not have people living in every household. And then the Social Security department, which currently sends out about 45,000 checks a month, would handle the rebate.

We envision the rebate to be nothing more than a computer click. This government is moving dramatically toward getting rid of checks, moving just to electronic transfers which are a nickel or a dime to make instead of the cost of taking postage and envelopes. So we think that every household will do nothing more than a computer click to put enough money in their account previous to the first day of the month; previously on spending it, that would totally untax them in terms of spending up to the poverty level.

Mr. COLLINS. Well, if I understood the gentleman right, it is based on a Social Security number and being a resident of the United States?

Mr. LINDER. A resident of the United States and a resident of that State.

Mr. COLLINS. Well, does the gentleman think that 23 percent as a fair

tax is a comparable tax, equivalent to bringing in the revenues that we currently receive from the income tax, or does the gentleman think it would bring in more revenue and would it generate a stronger economy?

Mr. LINDER. Mr. Speaker, the 23 percent was calculated in 1995, and since we have had significant tax cuts since then, it may be less than 23 percent. We have to go back to the committees that the gentleman deals with on the Committee on Ways and Means to have new studies done on that.

But in 1995 it was revenue neutral, which means it brings in exactly the same amount of money as the current system does.

But let us point out that the average income-earner today spends 28 percent of their income to the withholding of the IRS, of the Tax Code, and another 8 percent roughly for their Social Security and Medicare. So as an individual spending, I would rather give up 23 percent of what I spend than 34 percent of what I earn. It will encourage great earnings and great savings.

Mr. COLLINS. Mr. Speaker, in relation to that, we hear a lot about the whole exemption for interest on deductibles. I think the gentleman's numbers are very interesting and I think they would work the same way in the home deduction, would they not?

Mr. LINDER. Mr. Speaker, realtors would come in my office and say, we need the deductibility of home interest to calculate if they can afford to buy a house. My response has always been a little bit flip. I say, well, if you think that the deductibility of mortgage interest sells your houses, double the interest rate and you will sell twice as many houses. Well, it does not work that way. In fact, two-thirds of America uses a short form and does not use deductions anyway.

Secondly, what really sells houses is whether an individual has enough take-home pay at the end of the month to make that house payment. Currently, according to our studies, 28 percent of the cost of a new house is the embedded cost to the IRS. There are thousands of business entities that touch all the products that go into a new house, and each of them has tax costs. We think that 28 percent of the cost of that house is the embedded cost to the IRS. Under our system, it would be 23 percent of the cost of a house, so the house would be less expensive.

Secondly, if you are making \$60,000 a year, you are currently taking home \$3,800 a month to make the payment. Under our system, you would take home \$5,000 a month, so you could make the payment easier. We also believe, our studies show that interest rates would decline by about 30 percent. So for that one-third of us that uses deductibility of home interest, you lose that, but you will not have anything to deduct against, because you will not have any income tax.

Mr. COLLINS. So you actually would have more take-home pay, pay a less

percentage in tax under the fair tax than you would under the current income tax system, even without a mortgage deduction?

Mr. LINDER. Mr. Speaker, the average income-earner, paying the 28 percent withholding and their share of the 8 percent of the payroll tax, would have a 56 percent increase in take-home pay the next day.

Mr. COLLINS. What about the one section of the Tax Code that seems to be the most abused section that you hear about and is reported to us in the Committee on Ways and Means, which is the earned income tax credit; How would this affect that?

Mr. LINDER. My understanding is, and the gentleman from Georgia could tell better than me, we spend about \$34 billion a year on the earned income tax credit.

The reason it was put into place many years ago was to relieve people at lower income, \$17,000 to \$23,000 or \$24,000 a year from the payroll tax. These people do not pay income taxes, so they are not paying for the military or the parks or the Justice Department or the FBI, and the earned income tax credit relieves them of paying for their own retirement. Nine billion dollars of that \$34 billion is considered to be fraud.

Under our system, since nobody will have a payroll tax, there will be no reason to have an earned income tax, an earned income tax credit, and we will save a ton of money.

Mr. COLLINS. Mr. Speaker, one last question, and I receive this question quite often too, and it deals with trade. We hear a lot about outsourcing and insourcing and, fortunately, we have more insourcing jobs today than we have outsourcing, and I think it has a lot to do with the American workforce and the work ethics, the reason companies from abroad are locating here and working our people, but they are headquartered in their country of origin, which means that is where they will pay their tax. I think it has a lot to do with our tax codes and the treatment.

But how does the gentleman think this will affect us to be competitive in the world market in trade?

Mr. LINDER. Well, as the gentleman knows, most of the companies support their governments largely on the value-added tax, which is a consumption tax.

□ 2215

We rebate that tax to the companies that export overseas so they come to America more competitive because they do not have much of a tax component in the tax system.

Under our system, we will be selling goods and services under the global economy, 22 percent less on average, making the same profits; but our imports to our shores will be taxed at the retail checkout counter exactly the same as the domestic competition and will be perfectly neutral, although I

think we will be more competitive if we can totally get the tax component out of the tax system.

Mr. COLLINS. I believe prior to the income tax, our revenues did come from tariffs and excise taxes which dealt with trade. I fully agree with my colleague. I think it would be an excellent opportunity for our workforce in America to become more competitive with workforces in other parts of the world and would make us more competitive in the world market because we then would have a way to take all of the tax costs out of production of goods and service, whether we use them domestically or whether we export them; and it would be added back to any product that we imported, making it more fair and giving us not an advantage, but a more level playing field to be able to trade and compete in the world market.

I appreciate the gentleman's time and efforts.

Mr. LINDER. Mr. Speaker, I would yield to the gentleman from Texas.

Mr. BRADY of Texas. Mr. Speaker, I appreciate the gentleman from Georgia's leadership with this issue. I have to be honest, I have been real excited about this chance to talk about the fair tax because I think it really is the future of America.

Let me just preface my remarks with the events of today. I was commuting from Texas to Washington. As I got off the plane, I learned today about American Nick Berg's murder by his al Qaeda captives. It took a great deal of air out of my balloon today just because of the barbarism of it all, and I think it is important for America to understand, for terrorists, for our enemies, this is not retaliation. It is routine.

We have seen it in the beheading of Daniel Pearl and the mutilation of American workers. Yet again today, America is not to forget who we are fighting and how serious they are to defeat us. We have to unite in this test of wills against international terrorism because if we do not prevail, if we back off, if we lose our backbone, I do not believe any nation, any country, any community will be safe again; and I hope Nick Berg's family and friends understand how heavy a heart we all have tonight. And in our discussion of how to improve America, it is one of the reasons why Nick went over to Iraq in the first place.

Mr. LINDER. I thank the gentleman for those comments.

Mr. BRADY of Texas. Mr. Speaker, let me say, too, I serve on the Committee on Ways and Means and like the gentleman from Georgia (Mr. COLLINS) have seen firsthand just how horrible a Tax Code we have. I knew it was bad before going on the committee. I had no idea just how horrible and burdensome it is.

It is just impossible to comply with. It takes so much energy out of our economy. It is so complex; there are so many loopholes. You have got a sec-

retary of a corporation who could be paying more than the CEO, and that is just not right.

It seems to me, too, that we tax all the good attributes of Americans, people who go to school to learn a skill, those who get married, those who start a family, go to work, start a business, invest for the future, save for retirement, build up a farm or a business to pass down to their kids. Those are the people we tax the most, regulate the most through our Tax Code. It seems to me people are smart, and when you tax them, punish them for doing the right thing, they start thinking about doing something else.

The fair tax, which my colleague is the leader of, I think reverses all that; and instead of taxing investment and hard work and savings, it taxes consumption and does it one time, at its final place of consumption. It does not tax used items. It does not tax business, buying something else from a business to create a product. It taxes it one time, and while at first I think for a lot of Americans you say we are going to have a 23 cent sales tax, their first reaction is a big gasp. Then you start talking about can you imagine if you kept all of your paycheck, not some of it, all of your paycheck, because I have got 23 percent coming out of my paycheck already. A lot of people seem to have the same.

Then can you imagine that when you go to the grocery store and buy a loaf of bread or you go to the auto dealership and buy a car or to a Realtor and buy a home, which we all cherish, can you imagine not paying the high prices in that product from all the taxes built up, from the cars, everyone who manufactures and builds the homes and constructs the lights and does the electrical items in there, and we pay the price of their taxes?

At a home, people who lay the foundation, who frame the house up, the plumbers, electricians, every part of their bill adds on the taxes they have to pay; and ultimately, my wife and I have to pay that.

Can you imagine not having to pay those extra prices? Then can you imagine that the person next to you in the grocery store pays the same amount that you do? There is no loophole. There is no exemption. There is no special treatment for people. All Americans pay the same amount.

I know, too, that, one, we are going to see prices go down, and people often say, well, I am not sure businesses would lower the price. Well, they do not have a choice. In America, consumers are king. All you need to do is go on the Internet and search for anything you want from a car to a toaster. My wife wanted a reciprocating saw, of all things, for Mother's Day, probably one of the strangest Mother's Day gifts I have given. We could search down to the penny throughout the country. There is intense competition and businesses are going to have to lower their prices to meet our consumer demand.

We are going to see a boost in the economy; and as the gentleman from Georgia (Mr. COLLINS) said, for the first time we are going to take this tax off of American products being sold overseas, and it is going to be placed on products coming into America. So for the first time, other countries are going to pay a share of the taxation here in America. We are going to create jobs, and we are going to capture that underground economy.

Then the final point is on Social Security and Medicare. This is probably, besides reforming Social Security to transition to traditional retirement accounts, which we have to do for our young people. I think the only way we can fund Social Security for our seniors is to go off the payroll tax, which is declining, fewer and fewer workers for more and more seniors. We are reaching a crisis point, and put it on something stable and growing like sales tax, which as the gentleman said will triple the amount of Americans paying into preserving Social Security.

Mr. LINDER. Reclaiming my time, on that point, people have said to me over the years, well, will people quit consuming? The studies that we have shown from 1945 to 1995 is that the consumption economy is a very steady predictor of economic activity. People will spend so much. The biggest downturn it has had since 1945 was 3 percent in the 1970s and early 1980s.

The income economy is very volatile. We are seeing collections right now down 20 percent because of layoffs and no corporate profits; and yet if we were on the consumption economy, the revenues would have increased in 13 of the last 14 quarters because the economy grows.

This is a predictable thing to build retirement programs on. We know it is going to grow. We know if we fund the programs off the overall size of the economy, as opposed to the number of people working in it, we will be able to fund those programs.

The gentleman is right, and you study it in your committee on a regular basis. This system is destined for collapse.

Mr. BRADY of Texas. It really is, and I think as more Americans examine the fair tax, the more they get excited about it because I am convinced, as you are, that our kids do not have to live under the same complex, burdensome income tax code we have. The fact that the IRS is so deeply involved in our lives and our businesses' lives, that does not have to happen. There is no one that says that has to be part of American life.

In fact, our traditions and our principles are just the opposite. We ought to have the freedom to choose, and we should do it not based on what the Tax Code encourages us to do, as the gentleman pointed out, whether it is in the board room or in our living rooms, but what do we need and how are we going to choose to use our money.

I will close with this. We have other Members here who are excited about

this proposal as well, but I leave with the thought that we would push power out of Washington and give it back to the people, let them make their choices based on their decisions, and I know the gentleman and I believe the same thing. Given the choice between government and people, I have more faith in people to make the right decisions about their American dream than we do; and I think the fair tax gives them that power, gives them the economic boost and ensures that we have jobs and important programs like Social Security forever.

So I applaud the gentleman's leadership on this issue.

Mr. LINDER. I thank the gentleman, and I yield to the gentleman from Georgia (Mr. BURNS).

Mr. BURNS. Mr. Speaker, I thank the gentleman for yielding.

I would like to add my thanks to the gentleman from Georgia (Mr. LINDER) for bringing this significant and important concept to the American people. It is time we have a change. The IRS has been a burden on all of us for too many years, and the fair tax offers us an opportunity to right a wrong that is long overdue.

I think it is interesting, if we look back historically, that when our Founding Fathers first developed the Constitution, an income tax was illegal. It was barred. It was not even accepted. It was universally disdained, and the wisdom of our Founding Fathers in the Constitution, article I, section 9, said, "No capitation, or other direct, tax shall be laid, unless in proportion to the census or enumeration herein before directed to be taken."

In 1787 they said no income tax. What happened? What happened?

Well, it appears that later on in the 1894 time frame, Congress came along and decided that they were going to tax income. They were going to suggest that we needed to generate some revenue and that we were going to unfortunately have to address this issue with an income tax; and Mr. Speaker, the income tax was a whopping 2 percent, 2 percent, flat tax. Two percent on incomes over \$4,000, \$4,000.

Mr. LINDER. Which is about the top 2 percent of incomes.

Mr. BURNS. Absolutely. So what we are going to do is tax only those people who make over \$4,000, a king's ransom at that time, and unfortunately, at least for the Congress, they were trying to use the existing Constitution. Because of its vagueness, the Supreme Court overturned it, said an income tax is unconstitutional. That led to the constitutional amendment in 1909 that fundamentally changed our tax system that we now struggle with today.

So I think it is interesting that if we went back to our Founding Fathers, they recognized the dangers of an income tax, and here we are in 2004 trying to say America, wake up. It is time.

Again, I thank the gentleman from Georgia for this visionary approach

and the work that he has done in this environment, but we have talked about criminals and tax cheats and illegals who have an underground economy. Help the American people understand the challenge that we face just in that underground economy. Help them understand the numbers.

Mr. LINDER. There are 8 to 12 million people living in the shadows of our life doing jobs in America that other people are not doing. You could not get a crop out of the ground in your district without some of these folks. You cannot build a house in north Georgia without some of these folks; but the biggest concern that I run into among my constituents is that they think they are not paying anything for their fair share. I think if they were paying every time they bought a loaf of bread and they were paying their share to the government, attitudes would change.

There is no question we need to find these folks and identify them, and as President Bush has suggested, know who they are; when the job is over, send them back. But if the American people knew they were equally supporting the cost of government every time they bought a loaf of bread, I think the attitudes would change.

I think your point is right.

Mr. BURNS. Mr. Speaker, I think it is important for the American people to understand that our current tax system does not provide all of those in our Nation the opportunity to contribute to our society; and the fair tax, a consumption-based tax, does just that. We all participate in a fair and equitable manner.

One of the biggest areas of concern is in the area of health care and in the need to support Medicare and our Social Security retirement system and all of the things that are an essential part of what we are as America; but this fair tax, this tax would eliminate an income tax, Social Security tax, all Federal withholding taxes, is that correct?

Mr. LINDER. There would be no taxes on income whatsoever.

Mr. BURNS. One hundred percent of your gross income would be your net.

Mr. LINDER. Let me just address an issue you raised that is kind of interesting and it is a bit arcane.

Health care. We made a decision in the 1940s to allow corporations to deduct health care insurance and not have it treated as income to the employees, and so the first dollar of third-party coverage has really caused the abuse of the system.

I was with a corporation where we had a huge health care debate in 1994, and they proudly told me that they spend \$1,000 per employee per month on the health care.

□ 2230

I said, "You ought to be ashamed of that." Because they were funding everything from fertility treatments to the grave, and hair transplants and everything in between. Under our system,

that benefit, the value of that premium would be taxed as a personal consumption. And if I worked for that company that was spending \$1,000 a month for me, I would start saying, "I do not need that fertility treatment or hair transplant. I do not need AIDS coverage. I want this, this, and this, and I am willing to pay the tax on the provision of those services." And then I think we would have, for the first time since 1946 or 1947, American citizens shopping for and selecting their coverage benefits, and they would bring some sanity to the health care world.

Mr. BURNS. Mr. Speaker, if the gentleman will continue to yield, I think he is 100 percent right. One of the biggest challenges we face is the uninsured and the working uninsured, those individuals who would like insurance but, unfortunately, their incomes are taxed before they have the opportunity to buy the insurance. And if they are fortunate enough to have insurance coverage through an employer, there are certain incentives for the employer then to not be taxed on the contribution they make to their employees' insurance coverage.

When we look at the current system, the current income tax system we have, I understand we are talking a 22 percent increase in the cost of everything we produce; is that correct?

Mr. LINDER. That is what we are currently paying for at retail.

Mr. BURNS. That is what we are currently paying for. So that means that Mexico and Brazil and the European Union and even Red China have a 22 percent advantage.

Mr. LINDER. Absolutely.

Mr. BURNS. An advantage over everything we produce.

Mr. LINDER. If we could lower the cost of production in Florida of fruits and vegetables by 15 percent, Latin America could not compete with us. If we could lower it by 20 percent, we would blow them out of town.

Mr. BURNS. It is about fairness. It is about a fair, competitive, global environment. And right now the current income tax system is putting us at a severe disadvantage. The fair tax would relieve that, make that playing field more level, and more reasonable on an ongoing basis.

I am always amazed at the simplicity and the obviousness of a fair tax, a tax based on consumption. And again I will go back to our Founding Fathers and point out that they saw this even then. Even in the late 1700s, they recognized that taxing income was the wrong thing to do; that we need as a Nation to incentivize development and progress and investment and opportunity. Unfortunately, our current tax system does not provide those incentives.

Mr. Speaker, I would like to thank the gentleman for his leadership. I would like to thank him for his determination in ensuring that this message is brought to the American people and to this Congress. It is time we had a

full debate. It is time that we had a full vetting of this issue, full discussions, and ultimately a vote in this body and certainly in the body across the way in the Senate. But, ultimately, the American people will benefit if they will understand the opportunities given within this fair tax proposal.

Mr. Speaker, I rise to support the legislation of my friend and colleague Congressman JOHN LINDER of Georgia, the Fair Tax Act.

As this bill would enact a major and historic change in our system of federal taxation—one which would significantly alter the functioning of our economy—I think it important to review how we got to the system of income tax that we have today.

The founders of this country barred the federal government from enacting income taxes in the Constitution proper.

"No Capitation, or other direct, Tax shall be laid, unless in proportion to the Census or Enumeration herein before directed to be taken."—U.S. Constitution, Article 1, Section 9 (1787).

We need to consider the full implication of the importance of this ban being placed where it was in our Constitution.

All of the liberties outlined in our famous Bill of Rights—the right of free speech, worship, the right to bear arms, the right against unreasonable search and seizure—all were added to the Constitution after-the-fact, as Amendments.

Many of the founders felt that the Bill of Rights was unnecessary, as the Constitution didn't give the federal government the power to control the mentioned liberties to start with.

The primary authors were legal and policy purists. They thought it would be redundant and confusing to add Amendments barring the federal government from doing what it had no legal authority to do.

They also sensed more than a little danger to their liberties by doing so, since whatever freedoms and protections were not specifically addressed might be considered up for grabs by future power-hungry bureaucrats.

Without going on for hours concerning the original debate over the Bill of Rights, I believe most historians will agree on the essence of the discussion.

The winning side argued that if the provisions really weren't necessary, then it wouldn't hurt to add them, just to reinforce the fact that the federal government had no power to tamper with these rights.

The point of bringing this up is that the Founders of our nation, those who devised our entire system of government, actually argued with great passion over whether to pass the revered Bill of Rights, which are now copied and emulated worldwide as detailing the basic rights of mankind.

Yet these same founders had no such question over an income tax.

They were so fundamentally opposed to the concept it was banned by universal agreement, specifically, in the First Article of the Constitution itself.

Did our Founders view the income tax as a greater threat to liberty than the lack of a Bill of Rights? I believe they did, and that's why we find that ban in our original Constitution.

The governmental powers necessary to enforce an income tax, and the individual rights and freedoms implied and detailed in our Constitution, simply cannot logically co-exist.

The Constitution gave no power to the government to conduct unreasonable search and seizure, but that power would have been implied as a necessary enforcement tool to collect an income tax. The only way income taxes can be enforced is through opening every home in America to search both physically and electronically.

The Constitution gave no power to the government to force people to be a witness against themselves. But that power would have been implied as a necessary enforcement tool to collect an income tax. Every American would have to be required to file potentially incriminating documents to prove their income.

Further, a tax on income threatened to turn Americans against each other, and ultimately destroy our free-market economy, and all our liberties in the process.

All those with smaller incomes could be tempted to use their democratic vote to simply seize the incomes of anyone with more money than themselves. In short order there would be no financial incentive for anyone to seek to create new wealth, and our economy would be identical to the former Soviet Union's—poverty for all.

In addition, there would be no natural check on excessively high and confiscatory tax rates.

Many of the founders, who were strong advocates of the principles of Natural Law, felt that all governmental systems should have natural restraints built into their structure.

Alexander Hamilton wrote in *Federalist Paper 22* in 1787:

It is a signal advantage of taxes on articles of consumption that they contain in their own nature a security against excess. . . .

If duties are too high, they lessen the consumption; the collection is eluded; and the product to the Treasury is not so great as when they are confined within proper and moderate bounds.

If we fund our government with taxes paid equally by all, every American is infinitely aware of tax increases and high rates.

They have within their individual power the ability to legally avoid or lessen those taxes by spending as little as possible.

That's precisely why unfortunately a big-spending peacetime Congress in 1894 tried to adopt an income tax as a way to raise taxes, without the majority of the voters feeling it.

They came up with a two percent flat tax on incomes over \$4,000, which was a very large income at the time, and argued that the restriction in the Constitution was sufficiently vague to allow their pernicious scheme to survive.

Within a year, the Supreme Court held income tax unconstitutional as an unapportioned direct tax.

But the spending appetite of an industrial-age Congress could not be whetted by the wisdom of the founders. In one of the few cases in history of Congress rising to overturn a Supreme Court decision, Congress passed an Amendment in 1909 to reverse the foundational decision of Jefferson, Hamilton, Madison, and Jay.

By 1913, a sufficient number of states having been persuaded that this new tax would only affect a tiny percentage of Americans with extreme wealth—and not their voters—had brought the sixteenth amendment into law, and removed all limitations on the imposition of federal income taxes.



"The Congress shall have the power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."—16th Amendment to the Constitution as passed by Congress in 1909, and ratified by the states in 1913.

Congress immediately passed a federal income tax with low rates that affected only a few people with very high incomes. In the early days, it was considered a status symbol to have to pay income tax, as only the wealthiest had to pay.

But over time, the rates changed to shift the burden increasingly to lower income Americans, to a point in recent years in which people at the lowest incomes still pay high federal taxes, and the middle class shouldered the largest share of out-of-control federal spending.

We reversed a little of that with the tax cuts this Congress has enacted since 1994, but not nearly enough. In fact, just as the founders envisioned, it has become increasingly difficult to enact any significant reform, as the cry immediately arises, "tax breaks for the rich."

This evil system has indeed pitted American against American.

But it has done far more damage than even the moral decay based on economic envy envisioned by our founders.

It is now undermining our health care system, our manufacturing base, even our ability to feed and clothe our families.

It is allowing criminals, tax cheats, and illegal immigrants to live tax-free lives of opulence, while middle-income, two-wage earner families, no longer can save for their children's college or their own retirement.

And it has created a federal agency—the Internal Revenue Service—that far too often has shown sniveling contempt for the basic natural rights of mankind, when dealing with their fellow Americans.

We have created an income tax system which adds 22 percent to the cost of every thing we make in this country—a whopping 22 percent advantage in international trade for Mexico, Brazil, Europe, and most notably, Red China. Dump this tax, and our sorely-pressed manufacturing and agribusiness sectors can once again start competing on a semi-level field.

Illegal immigrants enter our country, earn cash, and pay no taxes, as they report to no one, leaving law-abiding native-born citizens and legal immigrants to pick up their tab.

Drug dealers and pimps earn fortunes tax-free, leaving single-parent working class homes to pay their share of our federal tax burden.

The very wealthiest Americans, and the wealthiest corporations—a legal entity which did not even exist during our Founder's Day—can and do avoid paying any federal taxes through the system of credits and write-offs created over the decades since 1913, as incentives for any number of things former Congress's at one time or another wished to encourage.

Nowhere have those income tax incentives wreaked more havoc than in health care.

Corporate America is given a free tax ride on everything they spend on health insurance, while the waitress making \$25,000 and having to buy her own policy is taxed on her premiums.

As a matter of fact, she's taxed on what she spends directly on health care, up to seven-

and-a-half percent of her income, while the corporate executive making \$100 million a year gets his top-of-the-line, zero deductible health insurance benefits tax-free.

All while the tax-subsidized health insurance industry subsidizes the spiraling cost of health care, driving more and more middle-income Americans into the ranks of the uninsured, with second rate care at best.

We inherited this system of travesty and tragedy. We should remember how it came about—by a foolish Congress overriding the foundational principles laid down at our Nation's birth.

That foundation was built of the carefully constructed tenets of republican democracy, designed to overcome the historical failure of previous systems of direct democracy.

Every other attempt down through history came unraveled once the populace learned they could vote themselves largesse at the expense of others.

Our founders protected us against that evil, with one of the only direct restrictions in our Constitution.

The Congress of 1909, a Congress of a new century, faced conditions they believed outdated the quaint freedoms held in such high regard by the first Congress. So they robbed us of that political inheritance.

We are a Congress of a new century as well, and I believe our great challenge is the restoration of the individual freedoms and protections of our Constitution, in the face of new and challenging national and global economic conditions.

Freedom and fairness is never outdated. Surely, economic conditions and needs change from one generation to the next.

But I believe it is the duty of this body to faithfully and accurately translate the historic freedoms of this Nation into the economic language of the day—not to cast aside the very principles to which we owe our national wealth.

Mr. Speaker, Congressman LINDER's bill restores the freedoms that have lain trampled and forgotten for nearly a century.

It will provide the economic seed for a rebirth of American manufacturing, farming, health care, and fairness.

It will begin the healing process from the injury and division sown in the past by pitting Americans against each other, resulting in devastating economic damage among those with the least.

Mr. Speaker, this bill deserves consideration at every committee level, and it deserves a fair vote in this body and the Senate. I urge my fellow Members to support that consideration, and support this bill.

Mr. LINDER. Mr. Speaker, I would now like to yield to the gentleman from Iowa (Mr. KING).

Mr. KING of Iowa. Mr. Speaker, I appreciate the gentleman yielding to me and to the contributions of my colleagues here tonight on this subject matter.

It occurs to me as I listen to the gentlemen from Georgia, the offices that I can go to and always get the right price on a small complimentary bag of peanuts, that a person would have to be nuts not to go for this program. And you all know that in Georgia. It is endemic down there. You have had campaigns on it politically and you know

the public in Georgia understands how important it is to eliminate the IRS and go to a consumption tax.

We will get most of the questions answered here tonight, but the balance of the questions can be answered at [fairtax.org](http://fairtax.org) on the Web.

Mr. LINDER. I thank the gentleman for that.

Mr. KING of Iowa. Mr. Speaker, when I put out that Web page, it is important to go there and take a look. There is always another question and another question.

Myself, I would like to announce how I got to this position. It is almost 25 years ago. The gentleman from Georgia (Mr. BURNS) addressed how simple and obvious it is. Twenty-five years ago, I got audited one too many times. That one too many times caused me to go back to work fuming after all the time I had lost and money that I had lost, and I still to this day believe I filed everything exactly correctly and honestly and legally. But I went back to work and started with the premise I want to eliminate the Internal Revenue Service and I want to eliminate the Internal Revenue Code.

I did not think too much about how to do it, I just wanted to get rid of it. So I looked at how do we replace that, how do we replace the revenue stream? And there is only one way, and that is a fair tax, a national consumption tax on sales and service. We have heard about that here tonight.

The simplicity of it is impressive. And after weeks and weeks of working this through, answering these devil's advocate questions that I asked of myself, and trying to find people around my neighborhood in 1980 that could answer this, and my colleagues that could answer this, and no one had been thinking about it. They looked at me and said, well, that sounds like a good idea, Steve, but we never heard of that before, therefore it must not have a lot of credibility.

I finally concluded they must know something intuitively about this that was wrong with it that I could not begin to comprehend, so I set it on the side shelf of my mind. I always kept it there as something to think about, but I moved along.

In 1993, I picked up a book and the title was "Fire the IRS," written by Dan Pilla, a former IRS agent. He had done all the research and compiled all the data that I had speculated on myself, and that book clicked with me just exactly.

So I will take you back to the biggest reason why I think we need to eliminate the IRS, and that is this over \$1 trillion anchor we drag through our economy. These numbers go back to references in 1985 dollars in Dan Pilla's book. He took the dollars that we have to fund the IRS with, the dollars that we pay our tax preparers, the dollars we pay some people to compile the numbers to go to our tax preparers, and then pay ourselves about \$10 an hour to sit up most of the night on the 14th of

April, and then the dollars we spend to enforce the Internal Revenue Code. We also go through the litigation process.

And then add to that the cost to our economy of people who make a decision that they are not going to risk any more sweat or any more capital or any more equity, and to try to earn more money for that year because the tax risk is too high. So they make a decision they are going to pick up their golf clubs or their fishing pole, or spend a little more time with their family and not make that extra sales call, not work those extra overtime hours.

Add all those dollars up that I have described; the disincentive dollars to the actual literal cost, and those 1985 dollars were \$720 billion a year. Billion with a B. And if you index that for inflation, that number rolls up to over \$1 trillion a year. That is trillion with a T.

And no one, no one has an equation that can evaluate the positive impact on our economy when you take those millions of people that are now working in the regulatory sector, enforcing the IRS and keeping the books and putting the data in. All those bright, creative, productive people out there that are producing something in the non-productive sector of the economy. They will go find something to do. They are creative. They will come out of that nonproductive sector of the economy and they will do something in the productive sector. They will produce a good or a service that has a value that also is a multiplier in our economy. And that contribution today cannot yet be measured.

So we have this anchor of over \$1 trillion. Then, when you add to that the part we cannot measure, it is an anchor that is substantially over \$1 trillion to our economy. To give you an idea of the magnitude of that, in 1992, when Bill Clinton was elected President, he called for the United States Congress to issue a \$30 billion economic incentive plan. Some will remember that request that the President made, because we needed to jump-start the economy, by his argument.

Well, Congress negotiated that \$30 billion request down to \$17 billion, and then he decided, well, that is not enough to make a difference and so he decided to drop the proposal. But it was an idea like we would consider AmeriCorps to be today; make-work projects where you put borrowed money into the hands of people that would be spent in the economy to stimulate the economy.

Well, if \$30 billion made a difference to this economy, at least in theory in 1992, borrowed money, think what over \$1 trillion injected into our economy in the real productive sector of the economy would do. Not borrowed money, real money, multiplied not just one time borrowed at \$30 billion but every year over \$1 trillion. We cannot, with our normal on-the-street minds, comprehend the contribution to this economy, the jobs that would create.

And when we look around the world and we see where we stand with this Nation, this economy that is growing thanks to the President's jobs and growth plan, but we are also seeing a balance of trade that is a minus \$503 billion a year, and we are seeing our industrial base slide off to overseas where they are paying 68 cents an hour, and they are buying lathes and punch presses and training their people to run them.

Those jobs will be hard to get back, but we get to discount 22 percent on average of everything we sell to these foreign countries when we untax our companies that are producing export products as well as our domestically consumed products. That discount keeps us in that market longer and it holds our industrial jobs here in this country longer. That is good for our blue collar jobs and that is good for the sector of our economy that is starting to decline.

And on the other side of this coin, on the high-tech side, we incent capital formation. We no longer punish productivity or capital formation or savings. So when we untax corporations, businesses, your wages, income of all kinds, interest income, dividend income, pension income, no tax on Social Security income, we untax all of that, and we untax also inheritance tax, that means there is an incentive for capital formation. It will not be sewn into a mattress, it will be invested in something that returns on its investment. And that return will result in increased productivity of the American worker.

So whether that money goes into research and development or capital investment so we get more technology in our factories and in our plants, or whether it goes into higher education, or whether entrepreneurs are able to borrow that money and roll that into a new business, all of these things may be temporarily delayed gratification for the retailers, not much, maybe a little, but in the end it is more money in their pockets.

So when I look at the things we are up against here, this idea ultimately makes so much good sense. Every time I take this Rubik's cube of H.R. 25, or you can find out about it at fairtax.org, and I turn it around and I look at it another way and another way, it looks better, and better, and better. It makes so much sense that I am just going to illustrate the two sectors of the economy that need to take a look at this thing and actually be convinced.

One of them are the retailers. They have a study out, and the gentleman from Georgia (Mr. LINDER) and I have sat with people on that study. I think the study shows that about 5 years down the road, there is maybe a half percent decline in total gross retail sales. The premise on that study, it is a 5-year-old-study, by the way, or 4½ anyway, some of those premises I will take issue with. I think it starts with a pessimistic base.

Even if they are right, and I disagree with them, but even if they are right, is \$1 trillion in the economy not more than enough to overcome that? They assume that money is not going to come out of research and development or higher education.

Mr. LINDER. If the gentleman will yield for a moment, Mr. Speaker, their own study, because the gentleman and I have met with them, shows the economy will grow faster under this system than the current system.

Mr. KING of Iowa. The economy will grow faster.

So when we look at it from that perspective, there are easy answers for the retailers. More money in the hands of people. They will spend that money.

The other question out there is the one that has to do with large investments, annuities, life insurance, and those kinds of issues. And at first I will say the tax structure around those kinds of investments is a tax structure that has been built and evolved around our income tax system. It is a distortion. It is more akin to something today that is not really economic reality. And I think we can take our \$1 trillion and inject it into our economy and find a way to transition our way through making adjustments through annuities, life insurance, and those other kinds of long-term investments and tax deductible investments.

And by the way, another concern will be the dollars that go into charitable contributions. Statistics show that 70 percent of the charitable contributions are not itemized deductions anyway. People find a good cause and put their dollars in there without regard to the tax.

Mr. LINDER. Mr. Speaker, I am so glad the gentleman raised that point. I want to throw one thing in here. Seventy-four percent of the money that goes to not-for-profits come from businesses they run. Universities sell hats and mugs, the Red Cross sells blood. Eighteen percent comes from the checks we write, and the rest comes from interest earned on interest-bearing accounts.

People do not give money away to charities just for tax reasons. The great fortunes that have been given away, the Goulds, the Fricks, the Melons, the Carnegies, were given away before 1913. Carnegie funded 2,437 libraries before the Tax Code came into effect. People with a lot of money give it away because they like to give it away.

In 1980, when the value of a charitable contribution's margin was a 70 percent deduction, we gave \$48 billion to charity. Over several tax changes since then, the value of charitable giving has dramatically declined, and last year we gave nearly \$200 billion to charities. People give money away if they have more money. If they have more money in their pocket, we will put more money in their pocket.

Mr. KING of Iowa. Mr. Speaker, if the gentleman will continue to yield, that is the answer to charitable contributions.



There is an answer to every single aspect of this. Every time we look at this Rubik's cube it looks better and better and better.

Also, the corporations that have moved offshore to avoid the taxes in United States of America will come back to this country, many of them, and other corporations will move to the United States. An example would be Ireland. They untaxed corporations in Ireland for a period of 10 years, and they ended up with 560 American corporations domiciled in that little island of 4 million people. So imagine multiplying this across this huge continent of almost 300 million people.

□ 2245

Mr. LINDER. Mr. Speaker, let me close with one point, and that is 47 percent of America does not pay any income taxes today. They pay payroll taxes, but we have a huge bias that is a dangerous bias in my judgment because people who do not pay taxes are disproportionate beneficiaries of government, and they want more government and more taxes because they think they do not pay them.

I want a tax system that is so fair and equal that the next time we decide we want a tax increase, my mother is willing to pay it. We had two tax increases in 1990, both promised at the top 2 percent; it works its way through the system, and we all pay. I want a system that everyone sees they are the ones paying the taxes, and they are the beneficiary.

Mr. COLLINS. Mr. Speaker, a recent study by the National Association of Manufacturers said a long-term solution to being competitive in the world market is to change the income tax system, to replace the income tax system. This is a question that Lou Dobbs asked me about 2 weeks ago when I was on the "Lou Dobbs Tonight Show" talking about the fair tax: Do you really think this can happen and how?

Mr. LINDER. We hear from everyone, and you talk about it, and people say it will never happen. This town responds to our constituents, and if the American people want this to pass, it will pass. There is no organized opposition to it. If the American people catch on, it will pass. But one thing that I have learned over the last 6 years on this issue, and I have been on several hundred talk radio shows, I have been in many States, the American people are so far ahead of the politicians on this it is scary. Politicians have no idea how close the American people are to throwing them out over this issue. The American people want the simplicity of it, the fairness of it, and they want it to be equal.

All of the polling and focus groups we did, they want everybody treated the same. Half of the people in the focus groups thought they were the only ones paying taxes, and everybody else had a deal. They want everybody treated the same. Cab drivers want wealthy people treated the same because they want to

be wealthy one day, and they want to be treated exactly the same.

I believe there is a confluence of events occurring. The Social Security and Medicare crisis is going to force us to make some tough decisions. The fact that our revenues are not dependable, when under the sales tax and the growing economy, would not only be dependable, we may not even be facing deficits, and the projected long-term growth of the economy of a significant percentage above what we can do now. And lastly, we cannot continue to compete in a global economy with such a large tax component in our price system.

These various things are coming to bear on our economy, and I believe the American people will catch on to this. As the gentleman knows in Georgia, he cannot run for office without discussing it. We need to do that in all of the States. I believe the American people will move this country, and it will take them to move the politicians. Politicians are, more than anything, followers. They want to know where the country is going, and they want to get in front of the parade, wherever it is. We are looking for some leaders, and the American people will show the way. Yes, it will happen.

Mr. COLLINS. Mr. Speaker, I concur that the American people will drive this issue. That is the reason it is important that the gentleman from California (Mr. THOMAS) holds hearings in the Committee on Ways and Means. Let us vet it and let the people understand it, and I think the people will respond to Members of Congress, and we will have action taken on this issue.

I was offered the cushy job of being the IRS commissioner about 2 years ago, but I turned it down. I chose not to join them; I want to end them. In order to do that, we have to abolish the income tax, and that will end the IRS as we know it today. I appreciate the gentleman's effort, and I am 110 percent behind you.

Mr. LINDER. Mr. Speaker, I thank all Members who have participated tonight and continue the fight. This will happen.

### 30-SOMETHING CAUCUS REPORTS

The SPEAKER pro tempore (Mr. CHOCOLA). Under the Speaker's announced policy of January 7, 2003, the gentleman from Ohio (Mr. RYAN) is recognized for half the time until midnight, approximately 36 minutes.

Mr. RYAN of Ohio. Mr. Speaker, we are here on our second weekly 30-something working group, and I am joined by the gentleman from Florida (Mr. MEEK). We started this last week on Tuesday. Every Tuesday night we are going to come here and talk about issues facing the young people, not only in our own communities in Florida or in the State of Ohio, not only young people who are at universities or private schools throughout the country, but people who are in their 20s, in

their 30s and the kinds of challenges they are facing in society here today.

As Members can see, the gentleman from California (Ms. PELOSI), who we would like to thank for the opportunity to do this, sponsoring the 30-something working group, we are going to ask young people, and you do not have to be 30, you can be 20, 40, 50, to contact us by e-mail at 30somethingdems@mail.house.gov, and we will repeat the mailing address later, but just to talk about issues that are facing young students, young people today.

Last week we talked for about an hour about the challenges that are facing young people with summer jobs, student loans, Pell grants, and issues related to getting into college, having access to college, having access to higher education in this country. The majority of the discussion we talked about last week revolved around the priorities of the country. As we sit in this Chamber late on a Tuesday night, the issue again is priorities.

We just want to communicate to young people today that there is active participation in this democracy in which young people who think that democracy does not matter, who think that their vote does not count, who think that somehow they cannot participate in the system, we are here to tell them that they can, and they do have an opportunity to participate in this system; and for two young people like the gentleman from Florida (Mr. MEEK) and myself and several others who are here, have gotten to this establishment, this institution, the United States Congress, through the help of a lot of young people. You can either say no, reject the system, you can say no, we do not have an opportunity to talk, we do not have an opportunity for our voice to be heard, or you can say, yes. Yes, we can participate in the system; we can participate in our democracy.

I heard some of the gentlemen before us talk about how the democratic process works and how people will, if given the opportunity, they will dictate what kind of government we get and what kind of government as citizens we receive; but it has to be active participation.

We are here to say we believe, and I know I believe passionately and have spoken on the House floor and I know the gentleman from Florida (Mr. MEEK) has also participated in these discussions, that we believe that the priorities of this institution over the last year, year and a half, several years, have not represented the interests of young people. The Republican Party has controlled the House since 1994. They have controlled the Senate for a good portion of the years since then. They have controlled the White House for the last 3½ years; and the agenda for young people, the agenda for students has not been addressed. As we talked about last week, our discussion had a lot to do with Pell grants and access to college.