

a little extra money coming in from Social Security, we spend it on other government programs. Right now, government owes the trust fund, because that is what we do, we write out an IOU. Government owes the Social Security trust fund \$1.4 trillion, but the shortfall, what we are going to need, is \$12.2 trillion. So just the trust fund by itself is not going to accommodate or solve the problem.

Social Security has a total unfunded liability of \$12 trillion. The Social Security trust fund contains nothing but IOUs, and to keep paying promised Social Security benefits, the payroll tax will have to be increased by nearly 50 percent or benefits will have to be cut by 30 percent.

In this chart I have tried to show that Social Security is not a good investment. The average retiree only gets back a 1.7 percent return over inflation for the money they and their employers send into Social Security. Actually, if one happens to be a minority whose average age is 63½ right now, they actually end up with a negative return because they die before they hit 65 and start collecting benefits. The average is 1.7 percent return.

But the market, in this case I did a graph showing the Wilshire 5000, the average of 5,000 stocks for the last 10 years. Even with the poor returns that we have had for over the past 3½, 4 years, even with those poor returns, the Wilshire 5000 has returned 11.8 percent over and above inflation.

So how about that? How about having some of this money coming in from Social Security, invested in accounts? And I think there has got to be a limitation on accounts, so what I do in my bills is, I do it sort of like the Thrift Savings Account, index stocks, index bonds, index mutual funds, the option of foreign stock funds. Once one has accumulated a certain \$2,500 in their retirement account, and they cannot use it, government is going to control it, once they get to that level, then there could be more flexibility as determined by the Secretary of Treasury in terms of additional alternative investments that one might use.

This is how many years one has got to live after they retire to break even on the money they and their employer put into Social Security or, if one is self-employed, the money they put in. If people retired in 1960, it was a pretty good deal. They only had to live 2 years after retirement. But now, in 2005, people are going to have to live 23 years after they retire to break even on the money they sent in for Social Security. By 2015 it goes up to 26 years that people are going to have to live after retirement. And, look, that might be possible. The age of life has continued to increase.

Here is the chart I want to finish with. And that is the danger of doing nothing. What we have done in the past is increase taxes or reduce benefits every time we have had a problem with enough money to pay out promised

benefits. And over the years we have increased benefits, too, for Social Security. In fact, in 1965 we amended the Social Security bill to start the Medicare program. So that was a huge new challenge and huge new promises that are going to put our kids and our grandkids even deeper in debt.

Just going up from the 1½ percent in 1940, we raised it to 2 percent of the first 3,000. In 1960, running short of money again for the increased benefits, we tripled the rate, a 300 percent increase in the rate going up to 6 percent, and we increased the base, too, to 4,800.

By 1980, we raised the tax rate to 10.16 percent of the first 25,900. By 2000, again we raised the rate up to 12.4 percent of the first 76,200; in 2004, 12.4 percent of the first 87,900, but now it is 12.4 percent of the first 89,000. So we have continued to increase the tax.

And I just plead, Mr. Speaker, with everybody that might be listening that they, as workers in America, or their kids that are going to be working if they retire, should not be asked to pay a higher and higher tax to accommodate the existing retirees. Probably the people that are retiring this year, and I have not seen the statistics, but I would guess they are probably one of the most wealthy generations that ever has retired in America.

Six principles of saving Social Security, and here is what I sent out to all the Members of the House and all the Members of the Senate: Protect current and future beneficiaries; allow freedom of choice, and in my legislation, we can guarantee that they are going to have as much return by having their own investment as they would if they stayed in the current system, so we guarantee that the return on their private savings account that they own, that government is going to control it, that they cannot take it out until they are 65 or until they have an annuity that is going to prove that they are never going to fall back on other taxpayers. That, in a sense, says that one can be an average worker and retire as a very wealthy person if they start saving this money.

And some of these counties have had the option of not using the Social Security because that is the way the legislation was written. A municipality or a State can have the option of investing their own money or going into Social Security. Some of these counties are giving to their retirees that invested their own money over the last 60 years up to nine and ten times as much as Social Security pays similar wage-earning retirees.

Mr. Speaker, I am going to close with the plea that we work together to make this kind of a bipartisan effort. It may be our chance next year after this Presidential election. I would guess that if we cannot do it in the first 4 years of a President's term, then it is going to be difficult to make the tough decisions that are required to solve these kinds of problems in Social Security

and solve the kinds of problems that we need to be looking at in Medicare and Medicaid and some of the other entitlement programs. It is just unfair, unconscionable, to pretend that our problems are so great today that we have to take the money and the savings of our kids and our grandkids because they are going to have their own problems and their own concerns.

THE COMPLEXITY OF OUR TAX CODE

The SPEAKER pro tempore (Mr. BISHOP of Utah). Under the Speaker's announced policy of January 7, 2003, the gentleman from Maryland (Mr. HOYER) is recognized for 60 minutes as the designee of the minority leader.

Mr. HOYER. Mr. Speaker, I want to say to the gentleman from Michigan that I was very interested in his remarks, and I agreed with a lot of his remarks. Where we would disagree is our responsibility is if we are going to buy things to pay for them. And I would say, with all due respect to my friend, for the last 40 months we have not been doing that.

We continue to buy and we are not paying. And that is why that half-a-trillion-dollar debt to which he referred has been accumulated, and this year it may be a little less or a little more, but I agree with his general proposition that we need to come together, and if we are going to buy, pay for it and not pass it along to future generations, because as the gentleman so correctly pointed out, if we incur debt today, it is inevitably taxes tomorrow.

It is, I think, appropriate that we transit from a discussion about the deficit that confronts us, the obligations confront us, and talk about the way we pay for what government is asked to provide.

Mr. Speaker, I am pleased to be leading this Democratic special order tonight on an issue that confronts millions of Americans every single year, the unbelievable complexity of our tax laws.

All of us, of course, bear some responsibility for the complexity of our Tax Code. Democrats and Republicans and every American, every American who believes that the tax preferences that he or she utilizes are worthwhile. Considered individually, the tax preferences that are part of the code, of course, can be rationalized: the charitable deduction, a very worthwhile effort; the mortgage interest deduction, which has provided for America being now one of the largest home-owning countries in the world, a good provision.

Collectively, however, they are a jumble of confusion that causes unfair results and has a corrosive effect on our democracy. As Paul O'Neill, the former Secretary of the Treasury, who is no longer with us, perhaps because of candor, said, "One of the unseen consequences of our Tax Code's complexity

is the sense it leaves with taxpayers that the system is unfair and that others pay less tax because of special advantages."

A few facts, Mr. Speaker, illustrate the scope of the problem. In 1913, the Tax Code was a mere 500 pages. Today, the code and regulations total more than 60,000 pages. Four common forms: Form 1040 and Schedules A, B, and D take an estimated 28 hours and 30 minutes to prepare.

There is a lot of talk about simplification, but we have not moved towards simplification, and Americans are rightly frustrated. Americans are rightly angry about this annual challenge that they have to pay correctly the taxes toward supporting their government.

When the IRS started tracking this information in 1988, that is how long it took to fill out forms, the average paperwork burden was 17 hours, 7 minutes. Even the simplest form in the IRS inventory, the 1040EZ, now requires 3 hours and 43 minutes to prepare, up from 1 hour and 34 minutes in 1988. It is called EZ. There are a whole lot of Americans who do not believe it is easy.

Complexity costs more than \$100 billion a year in accounting fees and the value of taxpayers' time to complete their returns. This is roughly equivalent, Mr. Speaker, to what we spend to run the Departments of Education, Homeland Security, and State. Think of that. The dollars that we spend to fill out our forms are equal to what it costs us to run the State Department, the Department of Homeland Security, and the Department of Education.

Not surprisingly, more Americans than ever rely on tax professionals, 56 percent, in fact, compared to 48 percent just 14 years ago, in 1990. But even tax professionals cannot guarantee accuracy. The General Accounting Office recently found that 2 million taxpayers who used a preparer took the standard deduction when they would have been better off itemizing. That says something about our system and perhaps something about preparers.

If the administrative burden does not convince people that the form is crucial, the crisis in noncompliance surely should. The IRS has estimated that there is a \$311 billion annual tax gap due to underreporting, underpayment, and nonfiling, \$311 billion owed but not collected. What does that mean? That means that somebody has to pick up that slack. Frankly, today nobody is picking it up because we have a deficit larger than that \$311 billion, which means, as the gentleman from Michigan said earlier, that future generations are going to pick up that gap. They are going to pay that bill. And, in fact, all of us pay higher rates because too many pay not their fair share of that \$311 billion.

□ 2245

In March, Nancy Killefer, the chairwoman of the IRS Oversight Board,

told the House Committee on Ways and Means, "The IRS does not have the resources needed to accomplish its mission."

Let me repeat that. "The IRS does not have the resources necessary to accomplish its mission." What is its mission? To collect the revenues from each of us to pay for the government that we ask for.

John Kennedy said that taxes were the price of freedom. That is correct. We have established an agency to collect those revenues. Nancy Killefer says it does not have the resources to do so. She went on to say, "It continues to be out gunned and outmaned." By whom? By those who want to avoid paying their fair share.

That same month, Deputy Treasury Secretary Sam Bodman informed Congress that the IRS intended to walk away from more than 2 million delinquents tax accounts last year that total nearly \$16.5 billion dollars.

What message does noncompliance and lack of enforcement send? What does it result in? For too many the answer is clear, that it may pay to cheat. In fact, an IRS survey found last year that 17 percent of taxpayers, nearly one in five, believe it is acceptable to cheat, up from 11 percent just 4 years earlier.

Now, just like the people who go into a store and they take something off the shelf, put it in their pocket and walk out and do not pay for it, guess who pays for that item? All of us who come behind and buy that product, because we build in the price of cheating.

Well, there is no difference here. While more people believe that cheating is acceptable, fewer and fewer face audits. In 2003, individuals were audited at a rate of 6.5 per 1,000 returns, and 75 percent of those were computer-generated, non-personal audits. Compare that to the audit rate of 12.8 percent in 1997, or even 9.9 percent in 1998, the year Congress passed tax reform legislation. Audits for business also are down, from three per 1,000 returns to two in 1,000 in 2003.

Mr. Speaker, if they caught only two speeders out of every 1,000 speeders, what kind of enforcement would that be? What kind of constraint would there be to stay within the law?

Leaders in the Republican Party have repeatedly proclaimed their commitment to tax reform and simplification. For example, the gentleman from Texas (Mr. DELAY), the House majority leader, stated in April 2001, "We are pushing forward with our campaign to reform the Tax Code. We are making it fairer, flatter, simpler and less burdensome to the American people." That is what the gentleman from Texas (Mr. DELAY) said in 2001.

But the facts, Mr. Speaker, clearly demonstrate otherwise. Since 2001, Republicans have made 227 changes to the Tax Code and added more than 10,000 pages to the code in regulations.

Mr. Speaker, I want the camera to go right to the end of my finger here. This

is 10,000 pages. In 40 months, this is just 1/20th of those 10,000 pages, 500 pages. That is the number of pages the Republican Party has added to the Tax Code and regulations in just the last 40 months.

Today on the floor, of course, we spent about an hour on tax simplification. Wonderful. By the way, in passing that tax simplification, we added more pages to its complexity.

We need to do better. We Democrats believe that we can do better, and we intend to do better.

Additionally, the Republicans propose another 109 provisions in the FSC/ETI bill, the bill that tries to fix the problem found in unfair competition in the WTO, the trade scenario. So we passed a bill to solve a \$4 billion problem that cost us \$150 billion, which we did not pay \$35 billion of. That is the party that wants to make our code more simple, less complex, fairer. It was a grab-bag of special interest provisions, just as most of these pages are as well.

Just today, our Republican friends considered two bills as part of their tax reform and simplification week. But let us be honest. As I said, they spent 40 months complicating the code. They devoted 40 minutes to making it simpler.

Today, there is an increasing momentum among taxpayers for real reform. Mr. Speaker, Democrats will take the lead on this issue when we regain the House majority in November. We are going to make it simpler. We need to defuse the middle-class time bomb. We talk about it, but we have not acted on it, the Alternative Minimum Tax, which is no longer serving its purpose, at least not as intended. We need to take a hard look at looking toward a return-free income tax system, simplify tax rules for small businesses, stop individuals and corporations from gaming the system and reform international tax laws that encourage American companies to move jobs overseas.

The American people, Mr. Speaker, are acutely aware of the unnecessary complexity and dire need for real tax reform in America today. We Democrats have been talking about that. When we are in charge, we are going to do it, not talk about it, as our friends in the Republican Party have done.

The American people need, the American people deserve, a tax system that is simpler, fairer and more efficient.

I want to look at some of these quotes.

Newt Gingrich, 1997: "So we want to move towards a simpler Tax Code that takes less time to fill out, that is easier for the American people." 10,000 pages since that time, and, indeed, more, added to the Tax Code.

President Bush, March 17, 2001: "Americans want our Tax Code to be reasonable and simple and fair. These are the goals that unite our country, and these are the goals that have shaped my plan."

My plan? My plan? What plan? There has been no plan submitted to the Congress of the United States. There is no plan in front of the Committee on Ways and Means to which the President referred. There has been no simplification. There has just been these 10,000 pages of additional special interest provisions added to the code. No plan, Mr. President. But, then again, you only said that 40 months ago.

The gentleman from Texas (Mr. DELAY), a month after the President said his simplification plan was on its way: "Because of the Tax Code's mind-numbing complexity, millions of hard-working men and women waste countless hours every April. We are pushing forward with our campaign to reform the Tax Code. We are making it fairer, flatter, simpler and less burdensome to the American people."

10,000 pages have been added to the Tax Code since the gentleman from Texas (Mr. DELAY) said he was bringing us a fairer, simpler Tax Code.

John Snow, the Secretary of the Treasury, this year: "The administration has made tax simplification a priority, and we look forward to working with Congress to achieve it. A simpler code is something we owe honest taxpayers, and the worst thing of all for the tax cheat."

Amen, Mr. Secretary. Where is the plan? Nobody here has seen it. Is it in the Treasury Department? Is it in the White House? Or perhaps it is on its way down Pennsylvania Avenue. Where is the plan?

Lastly, Scott McClellan, the President's Press Secretary: "The President is committed to making the Tax Code more simple and fair." February 2004.

No plan, no fairness, no simple plan. 10,000 additional pages.

I now would like to yield to some of my colleagues to speak on particular aspects of how we can make this fairer, simpler and a better code.

I yield to my friend the gentleman from Georgia (Mr. SCOTT), a new Member of Congress, but a veteran of 20 years in the Georgia Senate and one of our most able legislators.

Mr. SCOTT of Georgia. Mr. Speaker, I rise today to discuss what in my opinion is the absolute heaviest burden on the American people and the American family today, and that is this costly, confusing, complex and complicated Tax Code.

I want to start my comments by commending our distinguished House Democratic Whip, the gentleman from Maryland (Mr. HOYER), for his steadfast leadership on this issue of the need for tax reform. I thank the gentleman for leading on this issue. He has not just started leading on this issue. He has been leading on this issue for a number of years.

Mr. Speaker, I believe that Americans are double-taxed, and that the time and expense that it takes to file their taxes creates an additional cost to our taxpayers.

The current Tax Code is riddled with confusion, complexities, ambiguities

and unfairness of staggering magnitude. We need to make drastic changes now. Our current Tax Code is beyond reason and basic common sense.

For instance, the Federal income tax code has grown from 45,662 pages in 2001 to 60,044 pages today. Mr. Speaker, at that rate, at that number of pages, it would take over a year just to read the current Tax Code, and that is only if you were reading an average of 1,215 pages every week and doing it at least 8 hours every day. That is absolutely incredible.

Our four common tax forms, 1040 and Schedules A, B and D, take an estimated 28 hours and 30 minutes to prepare. As our distinguished leader pointed out, in 1988, when the IRS began tracking this information, the average paperwork burden was 17 hours and 17 minutes. That is an increase of over 10 hours in just 6 years. Unbelievable.

Mr. Speaker, Alexander Hamilton, one of our great founders of this country, perhaps the primary architect of our taxing system and our first Secretary of the Treasury, said, "In order for our Nation to succeed, our taxing system must be simple, literate and fair, and I tremble for the future of my country if we fail in this endeavor." And I tremble indeed for the future of our country also, as Mr. Hamilton did 200 years ago, if we fail to reform our Tax Code.

Indeed, I predict a serious taxpayers' revolt in the very near future because of complexity, because of expense, because of unfairness, if we do not move with haste now to reform the Tax Code.

It now costs taxpayers \$100 billion each year just in fees for our taxpayers just to complete their tax returns. Individuals, businesses, tax exempt, public-private entities, spend 6 billion hours each year just complying with the Tax Code. It is a loss to our economy and it is a loss to our productivity, and it is staggering.

Mr. Speaker, as you know, as an entrepreneur that has started a successful business, as I have, as a small business owner, I believe that tax reform proposals that simplify the Tax Code merit serious consideration, and to that end I am a cosponsor of H.R. 1783, the Freedom Flat Tax Act.

Let me just tell you for a minute what this flat tax will do. It will take the complexity out of our Tax Code. It will ensure fairness by closing creative loopholes that allow some unscrupulous persons to avoid paying their fair share of taxes.

□ 2300

This measure would phase in a flat tax over a 3-year period with a 19 percent rate for the first 2 years and a 17 percent rate in subsequent years, and it will allow for no deduction loopholes, but will allow for personal exemptions, including a \$5,300 exemption for each dependent.

I do not believe that the flat tax is perfect, but at least it is a starting

point to do 2 essential things: give our taxpayers back their time and give them back some of their money. That is what the American citizens are asking for.

This current Tax Code is mesmerizing in its confusion and unfairness. For example, there are 5 different tax breaks for families with children: dependency exemption, head of household filing status, the child tax credit, the child independent care tax credit, the EITC, and all 5 of these define a qualifying child differently. How confusing.

Taxpayers overpay their taxes by an estimated \$1 billion a year because they fail to claim itemized deductions, opting for the standard deduction instead, according to the General Accounting Office, because they say the Tax Code is too hard to understand.

About one-quarter of taxpayers who are eligible for the earned income tax credit, which is designed to help the working poor, fail to claim it because they say it is too complicated. Our Tax Code is terrible.

Mr. Speaker, we cannot wait any longer. The time for tax reform is right now. We must not tinker around the edges of the Tax Code, but go right to the heart of the problem. The American people are depending upon us, and we Democrats must provide the way and the leadership on this critical issue of tax reform. The American people need and deserve a tax system that is simpler, fairer, and more efficient, just as the gentleman from Maryland (Mr. HOYER) stated, and we must give it to them now.

Mr. HOYER. Mr. Speaker, I thank the gentleman for his comments and for the passion that he brings to the effort to make this a simpler, fairer Tax Code for the welfare of our people, for small business, and all of those who must comply with a system that has become extraordinarily complicated.

Mr. Speaker, I yield to the gentleman from Washington (Mr. McDERMOTT), a senior member of the Committee on Ways and Means.

Mr. McDERMOTT. Mr. Speaker, I thank the gentleman from Maryland. This is an auspicious night tonight. The President had a dinner downtown and raised \$25 million from some of his closest friends. In the recent motion picture, in talking to them, he said, some people say you are the elite, but I say you are my base.

Well, we ought to talk about this man's base.

Mr. HOYER. Mr. Speaker, if the gentleman will yield, is that the movie in which the gentleman from Washington (Mr. McDERMOTT) starred?

Mr. McDERMOTT. Mr. Speaker, since 1994, when the Republicans created a Contract With America and said that they would pull the Tax Code up by the roots and simplify it, this TOM DELAY Congress and its tax-writing committee have added another 10,000 pages, which the minority whip has already pointed out, and lowered taxes on the most affluent among us. Over

the past 3 years, the Congress has watched 1 million jobs disappear, and what has it done? Well, first the Congress passed out lavish tax breaks to the millionaires so that they could send more money to Wall Street. Second, the House of Representatives sent the chairman of the Committee on Ways and Means to Europe. While he was there, the Europeans said, because of the WTO's ruling, you Americans need to change your tax structure to make it easier for European products to compete with American ones. How did the chairman of the Committee on Ways and Means respond? He told the Europeans he would like to help them out, but that they should impose tariffs on the American products first to get our attention. He thought that if they hit us, he could get something through the House.

Today, Mr. Speaker, the Europeans are imposing a 9 percent tariff on American products exported to Europe, our largest trading partner. These tariffs apply to some of our most sensitive products like agricultural goods that come from all across America, from Florida and from the Midwest. The Europeans are imposing tariffs on paper and wood products that come from the Pacific Northwest and from the American south. Just last month, to appease the Europeans, the House and Senate passed a bill to hike up taxes on U.S. companies who export American-made products to foreign markets. At the same time the House and Senate lowered taxes for U.S. companies that operate offshore.

And what do other Republican leaders have to say about this? Well, the chairman of the Committee on Rules came out here a few weeks ago and said he was happy that European tariffs were imposed, he was happy that this Congress was raising taxes on U.S. firms that operate in America, and he was happy that we were lowering taxes for U.S. firms that operate offshore. Check the CONGRESSIONAL RECORD, Mr. Speaker. My colleagues will find I am right. This is not hyperbole. I am not making this up. This man stood right over there and said it. This is the official RECORD as recorded by the House Clerk.

Mr. Speaker, our tax structure is one of the most competitive in the developed world. Our effective corporate tax rate is among the lowest in the developed world. Let me say that again. Our effective corporate tax rate is among the lowest in the developed world. Only 2 nations have lower effective tax rates than ours.

Furthermore, Mr. Speaker, despite the fact that we currently tax U.S. firms who operate overseas at a lower tax rate than those who operate on our own shore, the Republican Party has pushed through legislation in the House and Senate to again lower the tax rate that U.S. firms operating offshore will pay.

This country has lost 1 million jobs, and many of those were lost because

they simply moved offshore. It is cheaper to operate over there. That is why they went, and the tax structure is set up so that it is cheaper for companies to move offshore and leave the American worker behind without a job.

The Republican Party's response to an increasingly connected global economy has been to make our Tax Code more complex and to lower taxes for U.S. companies that decide to move their operations offshore.

When is the Republican Congress going to do something right and something fair for the American people, Mr. Speaker? When is the Congress going to reform the Tax Code so U.S.-based firms are not put at a competitive disadvantage, compared to U.S. firms that move overseas?

Since the Republicans took control of the congressional tax-writing committee on which I sit, U.S. firms have moved overseas, Americans have lost their jobs, and we spend more time than ever trying to figure out our taxes, because of the 10,000 pages they have added.

Since the Republicans took control over the Department of the Treasury, the Federal Government finds itself in annual a \$500 billion deficit. Now, that is real fiscal responsibility. We borrow nearly \$500 billion every year from foreigners, from the Chinese, from the Saudis, from the Swiss. We are in hock to half the world.

Does the Republican Party expect to control the Congress based on this record over the last decade, Mr. Speaker? If they do not make some changes pretty quick, and those 2 silly bills they brought out here today did absolutely nothing to simplify; all they were was a piece of paper that said "tax simplification" across the top and the body of the text did nothing, nothing. There is not a single person in this country that will have an easier time on the 15th of next time because of the silly bills they passed out of here today.

Luckily, we only have 105 more days to suffer under these people. We are going to have a change when the Democrats take over this place.

Mr. Speaker, I commend the gentleman from Maryland for bringing this issue up and bringing it out here. It is late at night, but it is an issue that affects every single American, and the American people ought to know that we are thinking about it and want to change it.

Mr. HOYER. Mr. Speaker, I thank the gentleman from Washington State, a member of the Committee on Ways and Means, for his remarks. And then that, of course, as the gentleman points out, is the purpose. The tax simplification purpose of ours is not going to be just tonight, it was not just 3 days ago when I gave a statement to the press and to others; it is a commitment that we have for all Americans to make this a fairer, simpler system for them and their families, and for every small businessperson in America so

that they can feel that we are not placing an extraordinary burden on them.

Paying is burden enough. Complicating the system and causing them hours and hours and costs to comply is too much for them to expect, and we need to change it, and we Democrats are going to change it. I thank the gentleman from Washington for his remarks.

I now am pleased to yield to the gentleman from Illinois (Mr. EMANUEL), who has been very involved in our efforts to focus on tax simplification and who is a leader in this effort.

□ 2310

Mr. EMANUEL. Mr. Speaker, I would like to thank the leader for doing this, although again it is late at night; but many times when families have to fill out the 1040, these are the hours they are working at their kitchen table trying to figure out what those stacks of paper mean, and so it behooves all of us to be here at this hour because it is very similar to what middle-class families across America have to do when it comes to the Tax Code, and it requires countless hours; and I think if I am not mistaken in the last 10 years we have added about 7½ hours to the average family's hours that they are dedicating just to filling out the tax forms around April 15.

Now, I have put together a proposal that would affect about 60 percent of the tax filers and get the form down to 12 simple questions and eliminate 200 pages of the code, about 2,000 addendum pages, and it is called the simplified family credit. It takes the earned income tax credit, which is for working people making the moderate income level, the per child tax credit, the dependent care and collapses them into a single family credit, eliminates 200 some-odd pages of code, 12 questions. Also wacks the marriage penalty and deals with the AMT, which is a regressive tax for families.

And in my sense, that puts not the onus so much but the benefits of the Tax Code behind families at work who are trying to do right for their children, and it would simplify the code but also reward those families who choose work over dependency.

You make \$50,000. You have two children, this would be an additional \$1,500 cut to that family versus what President Bush has put in place, and it would do it by eliminating well over 200 pages of the code.

This code has become so complicated, the complexity has led to tremendous inequity in the code.

Today we have about \$311 billion, this is the lowest according to the IRS, of underreported or nonreported income, mainly by the extremely well-off corporations and individuals, who through lawyers and accountants do not report income, and they use the code to disguise income.

Well, nobody should pay more than they are supposed to pay, but the code is written now for those who can afford

lawyers and accountants to shelter and hide and disguise income. When the burdens of the rest of the funding of the government services, the burdens of paying their fair share are shifted more and more upon those who work for a living. \$311 billion goes unreported or not reported or collected.

That would wipe away well over half the deficit this year. We are going to have \$450 billion. \$311 billion would wipe it away. You could fund close to half the Americans who are seeking college assistance, aid for middle-class families to pay for college can still pay about \$100 billion or \$200 billion of the deficit. What simplifying the code would do is ensure that when you paid your taxes, you knew that people down the street, you knew that people on the other side of the tracks were paying their fair share, because today nobody believes that the others are paying their fair share, and we have a system that is corrosive. It is stacking the deck against ordinary American taxpayers, and while the special interests win shelters and loopholes, middle-class families who play by the rules are now carrying the burden for those who do not report and do not pay their fair share.

Others have mentioned this, but I do think it is worth noting, in the last 3½ years, this administration has had three tax cuts, and in that time they have added 10,000 pages to the code—326 separate changes. They have added phase-ins and phase-outs and other gimmicks, sunsets to the code. All the while they have increased the burden of the Tax Code on those who work for a living and shifted the burden of those who earn money from capital investment, while if you work for a living, you are now paying more and getting less from this Tax Code. And it is high time we put the Tax Code not on the backs of the middle-class family but fighting for middle-class families, understands the obligations they have of meeting the needs of their children, and I think that the Bush Tax Code is a treasure chest full of loopholes and tax shelters for the special interests, and it has become a nightmare for middle-class families.

As I mentioned earlier, 7½ hours of additional time to fill out the tax returns. The child tax credit now has five separate breaks. I think the last time, when you compare the earned income tax credit per child and the dependent care, it is close to 10 separate definitions of children. Well, I have got three. They are all the same definition. They are sniveling and they bother you all the time. You do not need 12 definitions of what a child is. You know what it is, and the code does not understand it; and it is clearly making it more complicated.

Again, it has increased costs for filling out the form. We can do this. There is no reason for the Tax Code to be this way, but it was designed this way. That is the point that people need to understand. The code as it exists today was

designed for the special interests, was designed for those who can hire lawyers and accountants to figure their way out of paying income, hiding income, sheltering income, moving jobs overseas, moving corporations overseas, holding capital in a separate subsidiary overseas.

Do you know a family in America that has set up a subsidiary of their family in Bermuda to not pay taxes? If a family could figure out how to do that, they would figure out how to pay for college. They are struggling how to pay for college, yet corporations are setting up subsidiaries in Bermuda not to pay their fair share of tax and the burden shifts on the middle-class families.

We need to take this Tax Code and ensure that the middle-class families, that it is fair to them, it is simple, you do not have to have a family dispute to fill out the tax form, and deal with that that is on that table. It is not fair. It is not right. We can do better. And so I applaud the efforts today, as Democrats put together the ideas of simplifying the code and making sure it reflects the values and the interests of our middle class.

I offer my idea of a simplified family credit that would affect 60 percent of the taxpayers and reduce the tax form down to 12 easy questions, and it would be right for them. It would be right for their children. And, again, it would ensure the most important thing, that everybody have a sense that everybody is paying their fair share. And today we do not have that sense, and we end up with \$311 billion of people who are cheating the system and cheating the country of their obligation, and therefore shifting the burden to the rest of us who pay our fair share. That is wrong, and we can do better.

And, again, I applaud you for holding this and again reminding people that Democrats have an idea of massive tax reform, a big idea that would change the way we do things and it would be good for the economy, not only be fair to middle-class families. It would lead to a more productive economy, and it would make sure also the entrepreneurs and small businesses were treated correctly in our code.

Mr. HOYER. Reclaiming my time, I want to thank the gentleman from Illinois (Mr. EMANUEL) for his contribution tonight, but more importantly, for his contribution to spurring the effort of tax simplification and tax fairness for middle-class Americans, but I would suggest to him that those families, of course, cannot site an offshore post office box and therefore avoid taxes. But to some degree, we ourselves have created 10,000 pages in which Americans normally look to how do I reduce my obligation in taxes. That is a normal thing for people to do, and the fact that we have made it so complicated allows some people to take advantage of loopholes that perhaps were not contemplated but exist; and the unfairness then is not only to our

working-class, middle-class families but also to those competitors of theirs who do not take advantage of those loopholes, who keep jobs in America, who are paying their fair share of taxes here in America.

So tax fairness is not only tax fairness in terms of middle-class taxpayers but, frankly, all taxpayers so they can have the confidence that their liability based upon the income that they make will be proportionately the same as their competitor, as their fellow citizen.

Mr. Speaker, I now yield to another member of the Committee on Ways and Means, extraordinarily able member of our caucus, who does an extraordinary job in focusing on fairness to working families, the gentleman from Texas (Mr. SANDLIN).

Mr. SANDLIN. Mr. Speaker, I first off want to thank the distinguished minority whip for his leadership of the entire United States Congress on the issue of tax simplification and fairness, an issue that affects every working family in America.

□ 2320

Just last week our whip said, "Taken individually, of course, nearly all of the tax preferences that clutter the code can be rationalized. Collectively, however, they are a jumble of confusion that leads to unfairness."

That is certainly being kind. So we appreciate all that the whip is doing to lead not just our caucus but the entire Congress in this issue that affects us all.

For more than 10 years, my friends on the other side of the aisle have made tax reform and simplification a cornerstone of the economic program. However, for all of their expertise, or maybe all of their obsession, they seem to have fallen far short.

In Texas we would say that the record strongly suggests that on tax issues the Republican majority is "all hat and no cattle." The Republican majority talks a lot about giving the American people their money back. We all agree on that. We all agree that the American people are better stewards of their own money than is the government. However, the Republican tax themes and schemes have the perverse effect of taking from Peter to pay Paul, and in virtually every instance, the middle-class Peter is paying the millionaire Paul.

Middle-class families are feeling a serious pinch from the economy. Ten years ago they had no problem making their house and car payments, putting food on the table or sending their kids to college. Ten years ago, more likely than not, they had a stable and secure job in America, not China, not India, and they had benefits like health insurance and a pension that they took for granted. Faded memories, how they linger.

Ten years later and 10 years into the Republican contract on America, those same families are getting the squeeze.

Foreclosures and personal bankruptcy are at record levels in this country. Consumer debt has a stranglehold on the average American family. Tuition is skyrocketing while student aid is being cut year in and year out. Secure employment with health insurance and a pension has been replaced with reduced pay and no benefits.

Just ask yourselves, are things getting better or worse? Do you have more money for your family or do you have less? The middle class is hurting, but where is Congress?

While the Republican majority is cutting student aid while talking about the importance of education in the 21st century marketplace, the middle class is getting squeezed out. The Republican majority refuses to fully fund the centerpiece of President Bush's education policy, No Child Left Behind, while handing out annual \$100,000 tax cuts to individuals making \$1 million or more per year in income.

We have passed permanent extensions of the child tax credits and marriage penalty relief, but to no avail. And why is that? What the Republican majority knows, but apparently does not want to talk about, is how its failure to enact meaningful reform of the alternative minimum tax has the perverse effect of eliminating, that is eliminating any benefit middle-class families would realize from the enhanced child tax credit and marriage penalty relief.

My friend and colleague, the gentleman from Massachusetts (Mr. NEAL) has devoted untold hours to devising a reasonable solution to the AMT problem, but the Republican majority absolutely refuses to fix this serious and enormous problem which Nina Olson, the IRS' National Taxpayer Advocate, labeled the most serious problem faced by American taxpayers.

The alternative minimum tax was enacted in the late 1960s and was designed to affect only the wealthiest Americans as it was explained earlier tonight by the minority whip, and in the interest of time, I am not going into that. However, the reality is far from that ideal.

For most of its existence, the AMT has affected few taxpayers, less than 1 percent in any year before 2000, but its impact is expected to grow rapidly in the next few years and affect more than 20 percent of the taxpayers by the year 2010, many of them middle-class taxpayers. Call it what you will. It is a Republican tax increase, that is what it is.

So I ask you, where is the solution? The gentleman from Massachusetts (Mr. NEAL) offered one, maybe there are others, but the Republican majority prefers the status quo just as it is today.

What does the status quo foretell for America? Twenty percent of all taxpayers and 40 percent of married couples will owe AMT in 2010. This again is a Republican income tax increase on the American public. And where is the

fairness? While only about 30 percent of taxpayers with an adjusted gross income over \$500,000 will pay the AMT in 2010, in comparison, two-thirds of American taxpayers with an adjusted gross income between \$50,000 and \$100,000 will have AMT liability in 2010, two-thirds, again, a Republican tax increase on the middle class.

Taxpayers with an AGI between \$100,000 and \$250,000 will be hit the hardest by the AMT. In 2010, over 90 percent of those individuals will have AMT liability. So despite the symbolism of passing marriage penalty relief and other relief, the Republican majority's refusal to meaningfully reform the AMT eliminates most of the benefits for middle-class families, totally eliminating them. And not only does it eliminate the benefits, it passes on increased tax liabilities to American working families.

You can call it Ray or you can call it Jay, but whatever you call it, it is a Republican income tax increase on the working class in America.

I thank the whip again for his fine work on this issue, and we appreciate his leadership.

Mr. HOYER. I thank the gentleman from Texas (Mr. SANDLIN) for his comments and very important observations.

Clearly he is correct. We need to not talk about simplification; we need to do simplification. We need to do fairness so that the American public is better served by their system and better able to support themselves and their families.

Mr. Speaker, I yield to the gentleman from Texas (Mr. GONZALEZ), a member of the very important Committee on Energy and Commerce.

Mr. GONZALEZ. Mr. Speaker, I thank the gentleman. It is a pleasure joining the gentleman on such an important topic. It may be late at night, as someone observed, but I think most American families, they are used to staying up late right before April 15. And as a matter of fact, people get extensions, so I think there will be other late nights because no one is going to go through 10,000 pages looking for the answer unless they have a lawyer or an accountant.

The Democrats do not have a monopoly on this particular issue. What I do believe we have is a sincere interest in doing something about it. A very distinguished colleague of ours who happens to have a seat on the other side of the aisle recently stated, "We have been here long enough. We had better deliver a simplified Tax Code. I think this should be a centerpiece of reform for congressional Republican candidates. Instead of tax cuts, we should be talking tax simplification."

Now, those are words. They were in the majority. They could make it happen. But it is not happening. So where-in lies the problem? It is all talk.

Let me read something to you which I have always found interesting. I cut this article out 2 years ago because I

thought it was so incredibly demonstrative of plain words lacking real intention and action. We were looking at that time, or the administration was looking for a commissioner to head the Internal Revenue Service. They hired a firm, a head-hunting firm to proceed with the search. This was the ad.

"Our firm has been awarded the assignment by the Department of Treasury through Secretary O'Neill and a Presidential oversight board to identify possible candidates to become the Commissioner of Internal Revenue Service. From this list the Secretary will recommend to the President individuals for his nomination to the United States Senate for confirmation."

This is the part that I enjoy. "The individual does not need to have any in-depth exposure to the tax system or code." They need not understand the problem. They need not understand the code. But what was the most important thing the administration was looking for? Here it is. "As an appointee of the President, he or she is expected to fully support the President's position and his administration's position."

You are going to get your marching orders from the administration, which means you are not going to simplify anything. I think someone said earlier tonight that the President may be viewing as his base those individuals that find aid and comfort in 10,000 pages of complex legislation, that does not inure to the benefit of the average American.

□ 2330

Speakers before me pointed out I think a real basic tenet in our democracy. Everybody will do their own fair share, including the payment of taxes.

According to the Treasury Department, actual corporate income tax revenues fell 36 percent from fiscal year 2000 to 2003, 3 years, 36 percent drop.

From 1996 to 2000, 95 percent of corporations paid than less 5 percent of their income in taxes. From 1996 to 2000, 60 percent of U.S.-based corporations paid no corporate tax at all. Among large corporations, those with sales of more than \$50 million or assets of at least \$250 million, 33 to 45 percent paid no taxes. Do you know why? Therein, somewhere in those 10,000 pages, we allowed this to exist today.

Warren Buffet declared, "If class warfare is being waged in America, my class is clearly winning."

This is not an anti-business message. The Democratic Party and the policies and agenda and philosophy is pro-business. All we can ask is that everyone carry an equal burden and make their equal contribution. That is not so unfair. That is as American as anything that exists in any political philosophy.

The leader touched on what is happening within the IRS and how his hands are tied because of obviously fiscal constraints and policy. The IRS says that its number of corporate audits has declined because of the explosive growth in tax shelters which allow

companies to take advantage of complex tax code provisions. In other words, the increasingly complex tax code has made it more difficult for the IRS to go after corporate tax evaders. In the meantime, middle class families remain open and increasing targets for the audits.

To quote David Keating, of the conservative National Taxpayers Union, "If we had simpler tax laws, it would be simpler for taxpayers to follow and simpler for the IRS to enforce and administer."

I recognize we are running out of time, but to give my colleague a clear example of what we have contained in those 10,000 pages, unknown to most of the average taxpayers is section 179. What is section 179? I am going to read you from an article that appeared in the Washington Post on September 26, 2003.

This is a sales representative for Hummer of Alaska. You know what Hummer is, the huge car. Allow me to introduce you to a fabulous opportunity, he writes in a prominent letter, a tax loophole so big you can drive a Hummer H2 through it. Imagine being able to purchase the number one large, luxury SUV in America today and receive a deduction for the entire purchase amount from your taxes this year. How is this possible, the salesman asks? Thanks to the Bush administration's recent economic stimulus package, small businesses and the self-employed are eligible to deduct the entire purchase cost of new equipment up to \$100,000 the year of the purchase.

Now, we need to remind our colleagues, these provisions are supposed to help farmers and small business owners buy equipment to transport merchandise and haul equipment. No matter.

The letter continues: The Hummer H2 qualifies for this IRS section 179 deduction by its gross vehicle weight of over 6,000 pounds. Cars and medium-sized SUVs do not qualify for this deduction. If you are seriously considering acquisition of a new vehicle, step up to the vehicle that can take you where you want to be, financially and otherwise.

It does not stop there, because I will tell my colleague, you can go out and buy a Porsche SUV for about \$90,000, and it will qualify for section 179 in those 10,000 pages that some taxpayer gets to write off in that 1 year to drive that luxury vehicle.

I do want to remind my colleagues that someone on the Democratic side has introduced legislation to correct that. It will never see the light of day because we are not in the majority. That is what we are talking about. We have already talked about the different tax breaks for families that they could figure out.

Taxpayers overpay their taxes by an estimated \$1 billion a year because they fail to claim itemized deductions. How many taxpayers actually go through the trouble of figuring the

code out so they can itemize? About one-third of taxpayers who are eligible for the earned income tax credit which is designed to help the working poor fail to claim it because it is too complicated. It is so complicated that tax preparers are responsible for nearly 70 percent of the errors and overclaims on returns. The people that are supposed to know the business cannot figure it out.

I will leave you with one thought. Time is money. Simplification does translate into savings and responsibility and sharing the tax burden equally. Time is money, and I say this to the American taxpayer. It is your time and it is your money, and you deserve a heck of a lot better treatment.

Mr. HOYER. Mr. Speaker, I thank the gentleman for his comments and his very important contribution to this discussion.

In closing, let me say that we are committed to working, not only on our side of the aisle but working with our Republican colleagues as well, towards simplifying this code, making it fairer, reducing these 10,000 pages so that the anomalies of which the gentleman from Texas just spoke in terms of the deduction for the Hummer and for the Porsche will not make our tax code unfair so that the average working American who goes to work every day, and as Bill Clinton said, plays by the rules, will not have an undue tax burden placed upon them because so many others take advantage of one of the loopholes included in these 10,000 pages and do not pay their fair share.

That is not fair. That is not good tax policy. That is not good for America. So we are pledged as Democrats, as Americans, as Members of this House sent up by our neighbors here to represent them, to work unceasingly and tirelessly on making this code simpler, making it fairer, making it more efficient, making for a better code, a better America.

RECESS

The SPEAKER pro tempore (Mr. BISHOP of Utah). Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 11 o'clock and 38 minutes p.m.), the House stood in recess subject to the call of the Chair.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

9267. A letter from the President and Chairman, Export-Import Bank of the United States, transmitting a report on transactions involving U.S. exports to Taiwan pursuant to Section 2(b)(3) of the Export-Import Bank Act of 1945, as amended, pursuant to 12 U.S.C. 635(b)(3)(i); to the Committee on Financial Services.

9268. A letter from the President and Chairman, Export-Import Bank of the United

States, transmitting a report on transactions involving U.S. exports to Hungary, The Netherlands, Mexico, China, The United Arab Emirates and various other countries pursuant to Section 2(b)(3) of the Export-Import Bank Act of 1945, as amended, pursuant to 12 U.S.C. 635(b)(3)(i); to the Committee on Financial Services.

9269. A letter from the Chairman, National Credit Union Administration, transmitting the 2003 Annual Report of the National Credit Union Administration, pursuant to 12 U.S.C. 1752a(d); to the Committee on Financial Services.

9270. A letter from the Executive Secretariat, Federal Energy Regulatory Commission, transmitting the 2003 Annual Report of the Federal Energy Regulatory Commission, pursuant to 16 U.S.C. 797(d); to the Committee on Energy and Commerce.

9271. A letter from the General Counsel, Consumer Product Safety Commission, transmitting the Commission's final rule — Safety Standards for Cigarette Lighters; Adjusted Customs Value for Cigarette Lighters — received July 12, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

9272. A letter from the Attorney, NHTSA, Department of Transportation, transmitting the Department's final rule — Defect and Noncompliance Responsibility and Reports Defect on Noncompliance Notification [Docket No. NHTSA-2004-18341] (RIN: 2127-AG27) received July 14, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

9273. A letter from the Legal Advisor to the Bureau Chief, Media Bureau, Federal Communications Commission, transmitting the Commission's final rule — Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations. (Arlington, The Dalles, Moro, Fossil, Astoria, Gladstone, Portland, Tillamook, Coos Bay, Springfield-Eugene, Manzanita and Hermiston, Oregon, and Covington, Trout Lake, Shoreline, Bellingham, Forks, Hoquiam, Aberdeen, Walla Walla, Kent, College Place, Long Beach and Ilwaco, Washington) [MB Docket No. 02-136; RM-10458; RM-10663; RM-10667; RM-10668] received July 15, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

9274. A letter from the Legal Advisor to Chief, Media Bureau, Federal Communications Commission, transmitting the Commission's final rule — Amendment of Section 73.622(b), Table of Allotments, Digital Television Broadcast Stations (Jackson, Mississippi) [MM Docket No. 01-43; RM-10041] received July 15, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

9275. A letter from the Legal Advisor to the Chief, Media Bureau, Federal Communications Commission, transmitting the Commission's final rule — Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations. (Amboy, Baker, and Desert Center, California; Kingman, Mohave Valley, Parker, and Seligman, Arizona; and Boulder City, Caliente, Henderson, and Pahrump, Nevada) [MB Docket No. 02-124; RM-10446] received July 15, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.

9276. A letter from the Legal Advisor to Chief, Media Bureau, Federal Communications Commission, transmitting the Commission's final rule — Amendment of Section 73.622(b), Table of Allotments, Digital Television Broadcast Stations. (Ponce, Puerto Rico) [MB Docket No. 04-78; RM-10866] received July 15, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Energy and Commerce.