to follow. The Air Force Academy continues to be recognized as an invaluable proving ground for tomorrow's military leaders.

As we look back at the establishment of the Academy, we cannot help but be thankful to those who worked so hard to establish the Academy in Colorado. The citizens of Colorado are indeed honored to have this institution in our beloved State. We have stood by the Academy through both the good and tough times. We in Colorado continue to believe in the Academy's mission and support the institution's effort to train officers of integrity and honor. We salute the Air Force Academy's 50 years of success and look forward to many more decades to come.

PREVENTING TAX INCREASES

Mr. KYL. Mr. President, I want to take some time to discuss the importance of preventing tax increases that are scheduled to occur over the next several years.

The budget resolution conference agreement reached in April provides reconciliation protection for $70 billion of tax reductions over 5 years, with the direction that the allocation be used to prevent tax increases during the budget window. This sent a signal to investors that capital gains and dividends tax rates would be extended through 2010. I am disappointed that the legislation approved by the Senate does not meet that expectation. Fortunately, the bill approved by the Ways and Means Committee in the other body does, and I pledge to all investors that I will continue to work for that outcome. Indeed, the Senate majority leader pledged that he would not bring the bill back from conference without an extension of these investment tax rates. Similarly, the administration released its Statement of Administration Policy on the bill, which urged Congress to extend the lower rates for capital gains and dividends, noting, ''These extensions are necessary to provide certainty for investors and businesses and are essential to sustaining long-term economic growth.''

The tax reconciliation bill is intended to prevent tax increases by extending ''widely applicable'' tax provisions. My colleagues might find it interesting that more taxpayers benefit from the lower rates on dividends and capital gains than benefit from any of the provisions included in the tax reconciliation bill approved by the Senate. For example, nationwide, fewer than 8 million filers were helped by the AMT hold-harmless provisions in 2003, while more than 30 million filers reported dividend income and more than 22 million reported capital gains Income.

Nationwide, 17 percent of all tax filers reported capital gains in 2003, the most recent year for which statistics are available. Of all filers reporting capital gains income in 2003, 30.1 percent had adjusted gross income under $30,000 compared to just 8.7 percent who had AGI of $200,000 or more. In Arizona, 18 percent of all filers reported capital gains income, and of those reporting capital gains income, 32 percent had AGI under $30,000.

The story is similar for tax filers reporting dividend income. Nationwide, 23 percent of all filers reported dividend income in 2003. Of all filers reporting dividend income in 2003, 30.6 percent had AGI under $30,000 compared to 6.9 percent who had AGI of $200,000 or more. In Arizona, 22 percent of all filers reported dividend income and, of those filers reporting dividend income, 32 percent had AGI under $30,000.

But beyond the number of taxpayers who have benefited directly, the most important thing to know about these lower rates that were enacted in 2003 is that they are working. At the lower rates, the tax penalty imposed on the additional investment earnings—the reward from taking on additional risk—is smaller, and thus makes the risk more attractive. When investors get to keep more of their reward, they are encouraged to invest more; with more investment, businesses have an easier time attracting the capital they need to expand, create new goods and services, and also create more jobs. It is all of this additional economic activity that creates economic growth.

All Americans have benefited as the economy has rebounded with the help of these tax policies. Whether you embraced these lower rates at the time or not, everyone must now acknowledge that since the 2003 tax relief legislation was signed into law, gross domestic product has grown by more than 3 percent for 10 straight quarters, most recently expanding at a 3.8-percent annual rate in the third quarter. The United States remains the fastest growing major industrialized country in the world. Business investment had fallen in nine consecutive quarters before the 2003 bill's passage, but cutting taxes on capital helped reverse that decline. In the last nine consecutive quarters, business investment increased at a 6.9-percent annual rate.

The strong economy has had a very positive effect on the Government's finances, as more revenue is flowing into the Treasury even at the lower tax rates. As a share of the Nation's GDP, the 2005 deficit was 2.6-percent—down from the 3.6-percent share in 2004. In fiscal year 2005, taxpayers sent $274 billion more in revenue to Washington than the year before and $100 billion more than the Congressional Budget Office predicted. Clearly the American taxpayers are doing their part.

Yet some of my colleagues claim that we cannot afford to keep these lower rates, even though they have spurred economic growth, because we are still running a deficit. If We are to keep these tax rates, they argue, we must raise taxes someplace else. What they are seeking is a flawed form of budget discipline called paygo or pay-as-you-go. I am consistently rated one of the most fiscally responsible Senators by nonpartisan watchdog groups, but I don't support paygo because it has nothing to do with budget discipline when applied to taxes. The fact is, paygo simply does not work. Americans are not undertaxed; our problem is that Congress spends too much, and paygo will do nothing to control the fastest growing part of the Federal budget: mandatory spending. Paygo only applies to new spending or tax cuts; it does not apply to existing mandatory programs that grow unchecked year after year without Congress acting. Mandatory spending will grow from just over half of total Federal spending this year to two-thirds of total Federal spending by 2015, and paygo will do nothing to control it. So paygo is a false solution that is designed to prevent us from extending tax cuts—from making sure tax rates do not increase automatically—but that does nothing to prevent spending from increasing automatically.

I talked earlier about the extension of the dividend and capital gains tax rates that I expect to be added to the reconciliation bill in conference. I also want to mention some of the provisions that are already in the bill. It extends for 1 more year the increased exemption amounts for the alternative minimum tax that are scheduled to expire at the end of the year. Clearly, Congress must address the problem of the AMI in a comprehensive way, but until we can agree on a solution we must not allow the increased exemption amounts to expire. If we allow these exemption amounts to fall back to their pre-2001 levels, millions of middle-income American families will get hit by the AMT. The bill also prevents the AMT from eroding certain credits.

The tax reconciliation bill also includes an extension of the increased small business expensing amounts. Under current law, small businesses can deduct the cost of qualified investments in the first year they are made, up to $100,000 indexed for inflation. After 2007, this amount will drop back to $25,000. The bill extends the increased amount through 2009. Allowing them to expense a greater portion of their investments enables small businesses, which create most new jobs, to invest and grow.

The bill also includes an extension of the saver's credit. The saver's credit is a nonrefundable tax credit that encourages low-income taxpayers to make contributions to an employer-provided retirement savings plan or an IRA. The tax reconciliation bill extends the credit through 2009; it is currently scheduled to expire at the end of 2006.

The bill also extends the above-the-line deduction for college-tuition expenses. Under current law, the provision that allows a taxpayer to take an above-the-line deduction for the cost of college tuition expires at the end of 2005. The tax reconciliation bill would extend it through 2009, which will make it easier for families and students to plan for their educational expenses.

The bill extends for an additional year an entire group of business tax incentives that generally expire on a yearly basis. Many of these provisions should be made permanent, and some others probably could be allowed to expire. Some of the provisions that I strongly support include the 15-year depreciation-recovery period for restaurant improvements, the 15-year depreciation-recovery period for leasehold improvements, and the extension and improvement of the research and development tax credit.

Finally, the Senate-passed tax reconciliation bill includes several business tax incentives designed to encourage investment in the hurricane-ravaged area of the southeastern United States. These include financing incentives and depreciation provisions to encourage business investment, and are very time-sensitive. We must encourage businesses to rebuild in the gulf coast area; these particular incentives have proven successful in other areas and I expect they will be successful in the Gulf region as well.

So, Mr. President, this tax reconciliation bill is not perfect, but it does include several very important provisions. I am confident we will make the necessary improvements by adding an extension of the lower rates for dividends and capital gains once we get the bill into conference with the House.

BUDGET SCOREKEEPING REPORT

Mr. GREGG. Mr. President, I hereby submit to the Senate the budget scorekeeping report prepared by the Congressional Budget Office under Section 308(b) and in aid of section 311 of the Congressional Budget Act of 1974, as amended. This report meets the requirements for Senate scorekeeping of section 5 of S. Con. Res. 32, the first concurrent resolution on the budget for 1986.

This report shows the effects of congressional action on the 2006 budget through November 16, 2005. The estimates of budget authority, outlays, and revenues are consistent with the technical and economic assumptions of the 2006 concurrent resolution on the budget, H. Con. Res. 95. Pursuant to section 402 of that resolution, provisions designated as emergency requirements are exempt from enforcement of the budget resolution. As a result, the attached report excludes these amounts.

The estimates show that current level spending is under the budget resolution by $26.874 billion in budget authority and by $10.974 billion in outlays in 2006. Current level for revenues is $17.308 billion above the budget resolution in 2006.

Since my last report, dated September 26, 2005, the Congress has cleared and the President has signed the following acts that changed budget authority, outlays, or revenues: An act making continuing appropriations for Fiscal Year 2006, P.L. 109–77; Natural Disaster Student Aid Fairness Act, P.L. 109–86; Community Disaster Loan Act of 2005, P.L. 109–88; Homeland Security Appropriations Act, 2006, P.L. 109–90; Medicare Cost Sharing and Welfare Extension Act of 2005, P.L. 109–91; Agriculture Appropriations Act, 2006, P.L. 109–97; An act to extend the special postage stamp for breast cancer research for 2 years, P.L. 109–100; and, Foreign Operations Appropriations Act, 2006, P.L. 109–102. In addition, the Congress has cleared the Energy and Water Appropriations Act, 2006, H.R. 2419, and the State, Justice, and Commerce Appropriations Act, 2006, H.R. 2862.

I ask unanimous comment that the report be printed in the RECORD.

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

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, November 17, 2005.

Hon. JUDD GREGG,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The enclosed tables below show the effects of Congressional action on 2006 budget and are current through November 16, 2005. This report is submitted under section 308(b) and in aid of section 311 of the Congressional Budget Act, as amended.

The estimates of budget authority, outlays, and revenues are consistent with the technical and economic assumptions for fiscal year 2006 that underlie H. Con. Res. 95, the Concurrent Resolution on the Budget for Fiscal Year 2006. Pursuant to section 402 of that resolution, provisions designated as emergency requirements are exempt from enforcement of the budget resolution. As a result, the enclosed current level report excludes these amounts (see footnote 1 on Table 2).

Since my last letter, dated September 22, 2005, the Congress has cleared and the President has signed the following acts that changed budget authority, outlays, or revenues:

An act making continuing appropriations for Fiscal Year 2006 (Public Law 109–77);

Natural Disaster Student Aid Fairness Act (P.L. 109–86);

Community Disaster Loan Act of 2005 (Public Law 109–88);

Homeland Security Appropriations Act, 2006 (Public Law 109–90);

Medicare Cost Sharing and Welfare Extension Act of 2005 (Public Law 109–91);

Agriculture Appropriations Act, 2006 (Public Law 109–97);

An act to extend the special postage stamp for breast cancer research for two years (Public Law 109–100); and

Foreign Operations Appropriations Act, 2006 (Public Law 109–102).

In addition, Congress cleared, and sent to the President for his signature, the Energy and Water Appropriations Act, 2006 (H.R. 2419) and the State, Justice, and Commerce Appropriations Act, 2006 (H.R. 2862).

The effects of the actions listed above are detailed in the enclosed tables. The tables also reflect an adjustment to exclude administrative expenses of the Social Security administration, which are off-budget.

Sincerely,

DONALD B. MARRON
(For Douglas Holtz-Eakin, *Director*).

TABLE 1.—SENATE CURRENT-LEVEL REPORT FOR SPENDING AND REVENUES FOR FISCAL YEAR 2006, AS OF NOVEMBER 16, 2005

[In billions of dollars]

	Budget resolution[1]	Current level[2]	Current level over/under(-) resolution
ON-BUDGET:			
Budget Authority	2,094.4	2,067.5	−26.9
Outlays	2,099.0	2.088.0	−11.0
Revenues	1,589.9	1,607.2	17.3
OFF-BUDGET:			
Social Security Outlays[3]	416.0	416.0	0
Social Security Revenues	604.8	604.8	0

SOURCE: Congressional Budget Office.

1. H. Con. Res. 95, the Concurrent Resolution on the Budget for Fiscal Year 2006, assumed the enactment of emergency supplemental appropriations for fiscal year 2006, in the amount of $50 billion in budget authority and approximately $62.4 billion in outlays, which would be exempt from the enforcement of the budget resolution. Since the current level totals exclude the emergency appropriations in Public Laws 109–13, 109–61, 109–62, 109–268, 109–73, 109–77 and 109–88 (see footnote 1 on Table 2), the budget authority and outlay totals specified in the budget resolution have also been reduced (by the amounts assumed for emergency supplemental appropriations) for purposes of comparison.

2. Current level is the estimated effect on revenue and spending of all legislation that the Congress has enacted or sent to the President for his approval. In addition, full-year funding estimates under current law are included for entitlement and mandatory programs requiring annual appropriations even if the appropriations have not been made.

3. Excludes administrative expenses of the Social Security Administration, which are off-budget.

TABLE 2.—SUPPORTING DETAIL FOR THE SENATE CURRENT-LEVEL REPORT FOR ON-BUDGET SPENDING AND REVENUES FOR FISCAL YEAR 2006, AS OF NOVEMBER 16, 2005

[In millions of dollars]

	Budget authority	Outlays	Revenues
Enacted in Previous Sessions:			
Revenues	n.a.	n.a.	1,607.650
Permanents and other spending legislation	1,293,011	1,250,287	n.a.
Appropriation legislation	0	382,272	n.a.
Offsetting receipts	−479,872	−479,872	n.a.
Total, enacted in previous sessions:	813,139	1,152,687	1,607,650
Enacted This Session:			
Authorizing Legislation:			
TANF Extension Act of 2005 (P.L. 109–19)	148	165	0
An act approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2005 (P.L. 109–39)	0	0	−1
Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (P.L. 109–53)	27	27	−3
Energy Policy Act of 2005 (P.L. 109–58)	141	231	−588
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (P.L. 109–59)	3,444	36	9
National Flood Insurance Program Enhanced Borrowing Authority Act of 2005 (P.L. 109–65)	2,000	2,000	0
Pell Grant Hurricane and Disaster Relief Act (P.L 109–66)	2	2	0
TANF Emergency Response and Recovery Act of 2005 P.L. 109–68)	−4,965	105	0