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Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. STEVENS).

PRAYER

The PRESIDENT pro tempore. Today's prayer will be offered by the Reverend Dr. Guy Prentiss Waters of Fairhaven College, Jackson, MI.

The guest Chaplain offered the following prayer:

Let us pray:

Almighty God, You are infinitely wise, holy, and just. You are the one who has made us and the one who sustains us. Our conscience bears witness to Your righteous love.

We acknowledge that in Your providence You dispose of and govern over all things. You are the ruler of nations and You have appointed civil government for Your glory and the good of human beings.

We thank You for the work of civil government and acknowledge that those entrusted with this high responsibility stand under You. Be pleased to bless the work of our Senators this day. We would not presume upon Your blessing but ask that You might show mercy so that their work would be for this Nation's good and for Your glory.

Amen.

PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

TAX INCREASE PREVENTION AND RECONCILIATION ACT OF 2005—CONFERENCE REPORT

The PRESIDENT pro tempore. Under the previous order, the Senate will proceed to the consideration of the conference report to accompany H.R. 4297, which the clerk will report.

The legislative clerk read as follows:

The committee of conference of the disagreeing votes on the two Houses on the amendment of the House to the bill (H.R. 4297), to provide for reconciliation pursuant to section 201(b) of the concurrent resolution on the budget for fiscal year 2006, having met, have agreed that the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment and the Senate agree to the same, signed by a majority of the conferees on the part of both Houses.

The PRESIDENT pro tempore. The Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of May 9, 2006.)

The PRESIDENT pro tempore. Under the previous order, there are 8 hours of debate equally divided on the conference report.

RECOGNITION OF THE MAJORITY LEADER

The majority leader is recognized.

SCHEDULE

Mr. FRIST. Mr. President, in a moment, we will begin consideration of the conference report to accompany the Tax Relief Act. Our order from last night provides for up to 8 hours of debate from the statutory limit. The chairman and ranking member of the Finance Committee will be on the floor throughout the day to yield some of that time to Senators to speak. I hope we will not need the entire 8 hours and that we could yield back some of that time and vote a little earlier today. We will see how we are progressing in the early afternoon and alert Members if that is possible and, indeed, I hope that it will be.

Following the vote on the adoption of the Tax Relief conference report, we will have up to 1 hour of debate before the vote on invoking cloture on the small business health plans bill. If cloture is invoked on the small business health plans bill, then we would stay on that bill until we complete it. I hope the Senate will invoke cloture on the bill and will not miss the opportunity to help our small businesses provide more affordable health care benefits to their employees and families.

We have two important votes this afternoon. We will alert Senators as to the timing when we get a better idea of the amount of debate that is needed.

UNANIMOUS CONSENT AGREEMENT—S. 2611

Mr. FRIST. Mr. President, I ask unanimous consent that unless cloture is invoked on the pending substitute to S. 1955, on Monday, May 15, at a time to be determined by the majority leader after consultation with the Democratic leader, the Senate proceed to the consideration of S. 2611, the immigration bill. I further ask that when the Senate agrees to a request for a conference or the Senate requests a conference on this bill and the Chair is authorized to appoint conferees on the part of the Senate, the ratio of conferees be 14 to 12; provided further that from that ratio, the first 7 Republican Senators from the Judiciary Committee and the first 5 Democratic Senators from the Judiciary Committee be conferees; finally, I ask unanimous consent that the majority leader select the final 7 from the majority side and the Democratic leader select the final 7 for the minority side.

Before the Chair rules, I wish to be clear that the two leaders anticipate full session days on this bill, with a considerable number of amendments debated and voted on each day. We intend to allow amendments to come forward and to be voted on in an efficient way. This is a comprehensive immigration bill, and therefore it is important for Senators to have adequate time to have their amendments considered.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

The PRESIDENT pro tempore. Is there objection? Without objection, it is so ordered.

RECOGNITION OF THE MINORITY LEADER

The minority leader is recognized.

IMMIGRATION

Mr. REID. Mr. President, this is one of the rare times that we have been able to move forward on a bipartisan basis. The procedural aspects of this immigration debate are over with. The two leaders want a comprehensive immigration reform bill. What is going to be in it? I don't know and the Republican leader doesn't know. But, Mr. President, this is going to take a lot of hard work.

I want to extend to the majority leader my appreciation and my acknowledgment of the difficulty of arriving at this point. It has been very hard for both of us. And as the time went on after the Easter recess, it didn't get easier, it got harder. But I do believe that this is what the Senate is about, and we can move forward in a way that I think the country will acknowledge. There is a lot of hard work to be done, but we can do it well.

I receive my fair share of criticism, as does the Republican leader. But I want everyone to know we try very hard to move things along. It is not easy with the political atmosphere we find in the country today, but we have done this on this bill, and it has been extremely difficult. I don't want to sound like poor me, but that has been pretty hard to do. I will always remember the difficulties we have had, but also things such as this, as we know, in life bring people closer together. I think the majority leader and I have had—if we have talked about this bill once, we have talked about it 25 times. I have nothing but admiration for the Republican leader for arranging things so we can be at this spot today.

Mr. FRIST. Mr. President, what the Democratic leader and I have laid out is a way to get onto this bill, and as you can tell, both of us have been working in good faith on various issues that have been raised on the floor. We both appreciate our colleagues' patience in arriving at this point. We both anticipate a lot of challenging times over the period which will begin, in all likelihood, on Monday on what we all know is a very difficult bill.

The process that has been laid out is one that we both feel is very fair and will give the opportunity for the will of the Senate to express itself on a difficult issue to which there are not very many clear-cut answers. So I look forward to beginning that debate in the very near future, and I look forward to having dignified debate, debate that under the leadership of the two managers will need to be efficient, effective, and fair, but we will need to keep moving through that debate in order to allow the Senate's will, through amendment and voting on those amendments, to be reflected.

MODIFICATION TO UNANIMOUS CONSENT AGREEMENT—S. 2611

Mr. FRIST. Mr. President, I modify the unanimous consent request so that it is clear that it is applicable to S. 2611 or a House bill in which we conference using the language of S. 2611.

The PRESIDENT pro tempore. Is there objection? Without objection, it is so ordered.

IMMIGRATION

Mr. REID. Mr. President, I also want the RECORD to be spread with the fact that this is not a time for anyone to claim victory. Certainly, in this process, I didn't get everything I wanted. I think the majority leader didn't get everything he wanted. But in the legislative process, building consensus is the art of compromise.

I look back to the days when I tried cases. I found some of the best settlements were those where basically both sides were kind of unhappy about it, and I think that is what we have gotten. I certainly feel that this is a fair compromise procedurally with these intricate rules we have in the Senate. This is going to work well.

I also want to repeat what the majority leader said. This is going to take a lot of work. We have a lot of amendments. This is not a two- or three-amendment bill. There are a lot of amendments. People on both sides of the aisle have been waiting for weeks to offer amendments. We are going to have to work our way through these. It is going to take a lot of cooperation.

There may come a time during this debate that the managers are going to have to move to table some of these amendments. I hope we can arrange for time on these amendments. If we can't, we will do what has to be done in the Senate and move forward as expeditiously as we can. People have strong feelings about this bill on both sides of the aisle. But I feel very good that we have a road forward, and I believe we will complete this legislation and have, for the American people, comprehensive immigration reform that deals with security, deals with the guest worker program, deals with the people who are undocumented, and also will deal with a better way of enforcing employer sanctions.

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. FRIST. Mr. President, I will close by saying it is important we finish this bill before the Memorial Day recess. I have said that several times in my statements over the last couple of weeks, and I think in my discussions with the Democratic leader, we both agree that once we start this bill, we will stay on the bill until we complete it.

Mr. GRASSLEY. Mr. President, am I right that we are prepared to proceed to the text of the conference reconciliation report?

The PRESIDENT pro tempore. The Senator is correct. That is the pending business. There are 8 hours equally divided.

Mr. GRASSLEY. Mr. President, before I explain what is in the conference report, I want to make clear what the tax policy is we are talking about. For 90 percent of the legislation that is before us, we are talking about maintaining existing tax policy as it has been, either from the 2001 Tax Reduction Act or the 2003 Tax Reduction Act. The reason I want to take some time to explain that—and that is not part of my explanation of the conference report—is because the public listening in and/or my colleagues are going to be confused over the words ''tax cuts.'' For 90 percent of this legislation, we are not cutting anybody's tax bill. What we are trying to do because of sunset is we are maintaining for the next year, or in some cases the next 5 years, existing tax policy. So I don't want anybody to come over and say we are cutting taxes.

If we don't pass this legislation in the year 2006, or in some cases in the years 2009 and 2010, people are going to get an automatic increase of taxes without a vote of Congress. So we are talking about maintaining existing tax policy. The reason we are talking about maintaining tax policy would be for two reasons. In the case of dividend and capital gains tax policy, the tax policy we adopted in 2003 is the reason we have created 5.2 million jobs.

That is why the economy is rolling. I know the public is listening. When they pay $3 for gas, the $3 for gas blinds them to the fact that we had 4.8 percent growth last quarter. It blinds them to the fact that we have 4.7 percent unemployment, which is practically full employment, and some economists would tell you it is full employment, or that we have a low inflation rate.

It seems that when my constituents, and probably constituents in every State, see high gasoline prices, that is all that is on their mind. I don't blame them because I put gasoline in my car—I don't have some driver do it, I put it in myself—and I know what the price of gasoline is. I know a lot of my constituents go out of the same convenience stores I do with a bottle of water. Bottled water, if you buy it in these small containers, you are paying about $8 a gallon for water and never complaining about the cost for water but complaining about $2.63 gas that you can buy in Des Moines, IA, this very weekend.

We are talking with regard to capital gains as maintaining existing tax policy. Just so everybody understands, we are not cutting anybody's taxes below what they are today. We are maintaining existing tax policy. But if we didn't take the action we are taking today, taxes would automatically go up in these areas by 33 percent, and for low-income people, who have zero capital tax gains, they go up—what would that be? One hundred percent. If they are not paying taxes today and they start paying taxes at the rate everybody else pays, it is a 100-percent increase in taxes.

I don't know why people would argue with us, when we have a zero capital gains for lower income people, that you would want to tax lower income people. But if we do not continue this tax policy, that is the case.

I wish to emphasize again what Chairman Greenspan has said about the 2003 tax policy we are continuing today, and that is that it is responsible for the economic recovery we have had of 18 quarters of economic growth and 5.2 million jobs being created.

The other part of the bill is to continue tax policy existing since 2001. That existing tax policy is that 22 million Americans—well, no, I better say it this way. That tax policy since 2001 has been that when we reduce people's taxes here on the one hand, we are not going to take it away from them on the other hand by having them hit by the alternative minimum tax. I am going to explain this in greater detail, but up front, a good part of this bill is to maintain the policy Senator BAUCUS and I have had in place since 2001 of holding people harmless from the alternative minimum tax. In other words, if you get a tax decrease here, we are not going to have the same people pay a tax over here on the alternative minimum tax.

As far as the alternative minimum tax is concerned, I think the best policy is what we did in the late 1990s when this body sent to President Clinton a bill to repeal the alternative minimum tax, and he vetoed it. I don't know how many Democrats we are going to have condemning us for not doing more on the alternative minimum tax. What more could you do than what we did in 1999 and repeal a very bad tax policy, the alternative minimum tax? And a Democratic President vetoed it. But they will probably be the ones complaining and crying the most because we are not doing more.

What we are talking about here today is maintaining present tax policy through this reconciliation bill for roughly 90 percent of it. Ten percent of it would be some change in tax policy. If people want details on that, I will be glad to go into that.

Maybe another thing I ought to explain—and it is more personal because I am going to be the chief negotiator for the Senate on this bill because I am chairman of the Senate Finance Committee—I have negotiated for a long period of time with Chairman THOMAS, and everything has worked out fine as compromises have to work out fine, and I think I have done a very good job of protecting the Senate's position.

Let me remind everybody, all of my colleagues, particularly Republicans, particularly about a telephone call from the President on the Thursday before we began our Easter break—the exact date I don't have in mind—and in meetings with the leader and the Speaker and all this, we were just very anxious to get something done before Easter. At that point, the position of the House was that we were not going to have hold harmless on AMT. Consequently, I didn't agree to this agreement. I believe I probably disappointed a lot of my colleagues and the leader and the Speaker and the President of the United States because I just didn't, how would you say, surrender to a House position that we were doing too much on AMT.

Our policy since 2001 has been hold harmless, and I believe that is what we passed three times on the floor of the Senate: in November last year, January this year, February of this year, as the Democrats made us go through three periods of 3 days of debate on the same tax bill that ended up passing by a bipartisan majority of somewhere between 64 and 67. So it has been the policy of the Senate since 2001, reaffirmed by three votes of this body in the last 6 months, to hold harmless.

I didn't believe I was doing 66 Senators a favor by agreeing to something which would have 3.5 million—let's say more accurately 2.5 to 3 million taxpayers being hit by the alternative minimum tax out of the 22 million to whom I have already referred. So it took a little longer, and here we are—what, May 11, 1 month later than when it originally happened. But we have hold harmless in this bill. Hold harmless is in this bill.

Everything is going smoothly between Chairman THOMAS and me. Nobody is going to believe that because if you read the papers, we are always at each other's throat. You know, those characterizations are entirely wrong. He has strong convictions about tax policy, and he is the negotiator for the U.S. House of Representatives. He has a right to stand firmly for their positions, but I have a responsibility to stand firmly for the Senate position, with the understanding that someplace there are some compromises. I guess enough said on that point.

I have mentioned, in summation, before I go into explanation about the conference report, and this is the third time, but it cannot be said too many times because I don't know how many times you are going to hear today—in fact, we ought to count how many times we are going to say we are cutting taxes, we are cutting taxes, we are cutting taxes. Would you keep track of that for me? I want to hear how many times that is used. We are not cutting anybody's tax. Maybe we ought be cutting people's taxes, but we are not. We are maintaining existing tax policy as expressed by this body in the 2001 and 2003 tax bill so 22 million Americans don't get hit by the alternative minimum tax and so that we have incentives for investment and taxes don't go up, and capital gains and dividends, without a vote of the people in 2009 and 2010; so that we keep the incentives Chairman Greenspan said are the reason we are having the economic recovery we have had for 18 quarters, creating 5.2 million jobs, 4.8 percent economic growth, 4.7 percent unemployment, et cetera.

We have moved to the final step in the tax reconciliation process to which I have already referred that we dealt with three times and probably 3 days each time during November, January, and February. We have an agreement of the conferees from the House and Senate on a conference report. The basic objective of this conference was to produce a conference report that will pass both the Senate and the House and be sent to the President.

To achieve that objective, we needed to focus our efforts on a true bipartisan, bicameral compromise. As I said and will probably say again today—but you have heard me say it over the last 3 months to my colleague and friend, Senator BAUCUS—a compromise must be bicameral. Likewise, I said to Chairman THOMAS of the House and to House conferees that the compromise should be bipartisan.

In the Senate, we passed a reconciliation bill for the second time but the contents of the bill for a third time, on February 2, with a bipartisan vote that included 66 Senators. So that obviously includes a vast number of Democrats.

My preference was to continue working in conference to produce a bipartisan compromise that could pass in the Senate. Unfortunately, I doubt if we will get 66 votes for this conference report. But I am very hopeful that we will pick up some Democratic votes.

Going into conference, everybody knew that the House bill and the Senate bill were significantly different. The centerpiece of the House bill was a 2-year extension of the 15-percent maximum tax rate on dividends and capital gains and the zero percent tax rate that will apply to taxpayers in the lowest two tax brackets. Such an extension would continue the bipartisan tax policy enacted in 2003, a policy which has been vital to our economy's recovery and continued growth.

The centerpiece of the Senate bill was a 1-year extension and modification of the alternative minimum tax hold-harmless provisions. This provision would keep 15 million American families from being hit by the stealth tax. The AMT is a stealth tax because you really never know when you are going to be hit by it. Hitting Americans with such a stealth tax, the alternative minimum tax, is wrong. So, as I said before, the AMT should be abolished. It is not abolished. We did vote to abolish it in the late 1990s, but President Clinton vetoed that. So here we are, since 2001, working in a bipartisan way to do what we call hold harmless.

As I said at that particular time, my highest priority was to make sure we kept our promise to make certain that no additional taxpayers are brought into the AMT system on an annual basis, and that is the purpose of the Senate's hold-harmless provision on alternative minimum tax.

I will expand on that notion for a moment and be somewhat repeating myself from my extemporaneous remarks, but exactly 5 years ago today, May 11, 2001, Senator BAUCUS and I announced the bipartisan deal that became the basis for historic 2001 bipartisan tax relief legislation. I say historic because taxes were as high as they had ever been in the history of the country as a percentage of the gross national product.

When newly elected President Bush released his budget for that first year in 2001, his tax relief plan did not contain a general hold harmless on the alternative minimum tax, and the House passed a bill that did not have hold harmless provisions for the alternative minimum tax. When Senator BAUCUS and I were negotiating the bipartisan plan, we agreed on that bedrock principle of hold harmless—hold harmless on AMT so no new people would get hit with it. Because they got a tax decrease over here, we should not take their taxes away over here.

We agreed to make sure the AMT would not take the tax relief we were providing. This is how we came up with the concept we refer to as hold harmless. To me, it goes to a fundamental principle of transparency in government: Don't promise taxpayers relief that you know they are not going to really get.

Some of my friends on this side of the aisle—meaning Republicans—rightly complain about doubletalk on alternative minimum tax that we hear from Members on the other side, Democratic Members, the Senators from so-called blue States. You remember the blue-red map in Presidential elections of 2000 and 2004? Blue States generally go for Democratic candidates for President, red States go for Republican candidates for President.

I am going to refer to the blue States which are those that generally vote Democratic. Senators from these States are generally hostile to the tax relief we have provided in 2001 and provided again in 2003, and seem to be sympathetic to tax hikes. They take this position despite the fact that their constituents in these blue States, and represented for the most part by Democratic Senators, tend to bear the highest per capita Federal tax burden. The hostility of these Members seems to grow to a white-hot intensity when anybody above, say, $100,000 in income benefits from any tax relief package.

It has always been a strange disconnect to those of us on this Republican side of the aisle because that intensity—and at times what appears to be outright anger—seems to grow as the States' shade of blue grows much darker. Ironically, the per capita income, living costs, and Federal tax burdens tend to rise as the shade of the State tends to get a darker blue. The implication appears to be that constituents in these blue States should be happy to bear this high tax burden as their Senators fight against tax relief for them. In fact, Members from blue States seem to have no limit to the level of Federal taxes they believe folks in their States should bear. Taxes can never be too high, goes the rationale, as long as we keep growing the public's dependence on more Federal programs.

When Members on the Republican side hear demagoguery on taxes emanating from Members from blue States on a daily basis that we shouldn't have tax cuts for high-income people, they ask, Why do these folks then seem to change their mind when we are talking about the alternative minimum tax? As you tend to get intense debate that we ought to do something about the alternative minimum tax from the same Senators who are complaining because we are giving too much tax relief to high-income people in their various States, and the AMT happens to most dramatically impact taxpayers between $100,000 and $500,000. How is this any different from other forms of tax relief? They are hot and heavy to have the AMT which helps their taxpayers in blue States, but they are not hot and heavy to have tax relief in the first instance when you vote to reduce tax rates.

If I go to some extent talking about this contradiction, it is a contradiction that affects and bothers a lot of people on the Republican side of the aisle. It is an argument we do not understand. Frankly, it is a sentiment I have to overcome in my caucuses as I argue for the AMT and for tax relief; and I have had to argue this contradiction particularly with my House counterparts as we go to conference to negotiate differences between the House and Senate and try to explain to them why we need to do a hold-harmless provision on AMT.

I had people from the other body who would say, What is wrong with having an alternative minimum tax hit people in blue States who are in the high bracket because their Senators are arguing we shouldn't reduce the tax rates in the first place? It is a very difficult thing to argue that sort of contradiction. I think it would help me a lot if they would get off this kick.

I want to take a chart on the AMT and explain some of what we are talking about. This chart will show the alternative minimum tax hold-harmless benefits that have always been the bedrock of our tax bill since 2001 because it is something Senator BAUCUS and I agreed on to be our tax policy, how the hold harmless benefits taxpayers everywhere but is especially important in the blue States.

We don't have a map with blue States versus red States. But the chart you are looking at, and which I need to explain, is based upon 2003 return data because it is the most up-to-date data we have. But projecting out the numbers, we think it would be entirely possible and intellectually honest to double the 2003 figures. As a rule of thumb, I am going to do that as I explain California being a blue State with 2 million taxpayers; Texas, not a blue State, a red State, but 1.2 million; Florida, a blue State, 900,000 taxpayers affected if we don't do something about the alternative minimum tax as we have it in this legislation; Illinois, a blue State, 848,000; New York, a blue State, 822,000; Pennsylvania, 694,000; Michigan, 640,000; New Jersey, 632,000; Virginia, 568,000; and Massachusetts, 490,000.

I go to this length because Senators, particularly on the Democratic side of the aisle, might think about voting against this bill; that in all these States so many hundreds of thousands of people are going to be hit by the alternative minimum tax if you do not help us get this bill passed. Those are people who were not hit in 2005 but who will be hit when they file on 2006 income.

The bottom line is in blue States versus red States implications shouldn't decide this issue. As you can see, there are plenty of red States affected as well as blue States. Again, that shouldn't matter. We ought to do the right thing—and the right thing would be to pass this bill and continue the hold-harmless policy Senator BAUCUS and I have led the Senate through in the 2001 and 2003 tax bills, and also on the Senate consideration of hold harmless in this conference report.

Senator BAUCUS and I understood that when we took resources in the Finance Committee package to make sure that for at least 5 years this broad-based tax relief we promised will not be undermined by the alternative minimum tax.

Moving on, this conference agreement also contains some loophole closures and tax-shelter-fighting provisions that raise revenue. There are two reasons to raise revenue. The most important one is when we have tax shelters that allow people to cheat on their income tax and when we have loopholes that don't make sense, they ought to be closed as a matter of fairness to all taxpayers. But they also raise some revenue. We need some revenue in this bill to offset some provisions of this bill so we didn't exceed the $70 billion reconciliation instructions of Congress for us in the Finance Committee.

The House bill, however, didn't contain any revenue raisers. Although we didn't come back with all the loophole closures, especially clarification of something that needs to be done with the economic substance doctrine defined, and the House conferees very much oppose any change in that, we did make some headway on loophole closings and closing tax shelter abuse.

Let me go back to economic substance. My argument for it: It raises a lot of revenue. But we have had several courts that have instructed Congress—and courts cannot make Congress do anything we don't want to do—to define economic substance. By defining it, it brings in some revenue.

I don't understand why it shouldn't be defined. My feeling is there are a lot of K Street lobbyists and maybe a lot of lobbyists who aren't on K Street who benefit from the loopholes that can stretch economic substance in the Tax Code.

The Senate bill and the House bill that went to conference also shared some similarities. Both bills sought to extend and extend and in some cases modify certain provisions that expire at the end of 2005—provisions such as the research and development credit, increase small business expense, cost recovery for leasehold improvements, the savers credit, or better said, the small savers credit; the deduction for State and local sales tax in those States that is not particularly valuable to those States that don't have a State income tax; the qualified tuition deduction for college; and teachers' classroom expense deductions. Local teachers who spend money out of their own pockets to bring tools to the classroom can deduct that from their income tax.

A true bicameral compromise would merge both bills in a way that takes care of these common extenders which I mentioned, and many more I did not mention.

Second, it accommodates the centerpieces of each bill which, as I have explained this morning, are the AMT hold-harmless provisions on the one hand and the extension of the dividends and capital gains tax provisions as they now exist, not cutting capital gains and dividend taxes below what they are presently, and providing as much tax relief as possible by using appropriate revenue-raising measures.

We ended up with cornerstones of each bill in this conference report and made progress on some of the revenue raisers, meaning loophole closings, and tax shelter abuse closings. The extenders for the most part—I guess almost entirely—will be addressed in another vehicle. They are not part of this conference report. We have compromised and agreed on that point. We also agreed to resolve key Senate priorities in the extender vehicle.

Can I tell Members exactly what is going to be in that vehicle? I can't because we are still negotiating. What I can tell Members is we had good preliminary negotiations and I feel we have a solid foundation to come to a fair compromise on these issues. The final determination of those key Senate priorities will depend upon the vehicle that we will go with and other parts of the agreement when it is finalized.

After laying out the basic structure of the conference agreement and the Senate's key provision, AMT hold harmless, I want to talk about the parts of the agreement the House needed.

The dividend and capital gains provisions in the House bill were met by strong opposition from the other side.

A principal argument against this policy made over and over again by the Democrats is that it is simply a tax cut for high-income people. I use the words ''tax cut,'' and that brings me to emphasize once again that if anybody says we are cutting taxes, we are maintaining existing tax policy for an additional number of years. Without doing that, then, we would get an automatic increase in taxes basically undercutting what Chairman Greenspan has said about the goose that laid the golden egg—the tax policy we adopted in 2003 being responsible for the 18 quarters of economic growth which we have had.

In support of their claim, Democrats cite distorted statistics that include taxpayers who don't receive dividends or capital gains. They fail to take into account the zero percent rate for lower income taxpayers in 2008 and ignore the size of the overall income tax liability that taxpayers bear.

My analysis of 2005 data that I received from the Joint Committee on Taxation shows that lower income taxpayers actually have more at stake than higher income taxpayers. The Joint Committee on Taxation is not a Republican or Democratic operation. These are professional people who spend whatever time they are in public service on this committee becoming experts on the Tax Code, the economic implications of tax policy, and whether it is good or bad for the economy, whether it brings in more or less money to the Federal Treasury. These are not people wearing a Republican hat or a Democratic hat. My quoting of their statistics ought to have a great deal of credibility because they are professional people.

This is 2005 data received from the Joint Committee on Taxation showing lower income taxpayers actually have more at stake than higher income taxpayers. Of course, I don't mean to speak in absolute dollar amounts because I cannot say that, but I can say in percentage advantage to various income classes that lower income taxpayers have more at stake than higher income taxpayers. It is common sense for me to say that because higher income taxpayers receive higher tax cuts measured in dollar terms, quite simply, because they pay more taxes to begin with. But the extension of the lower rates on dividends and capital gains will give lower income taxpayers greater tax savings as a percentage of their total tax liability.

I will refer to a couple of charts that summarize tax savings as a percentage of total income tax liability of average gross income levels. The chart illustrates the dividend tax savings as a percentage of the total tax liability for those who benefit from the reduced rates. The savings percentages include 2008 savings, when the tax rate for lower income taxpayers drops to zero percent. That we will continue, then, for an additional period of time. That is the rate we are talking about extending.

Based on my staff's analysis of the Joint Committee on Taxation data, taxpayers with adjusted gross income of less than $50,000 will save 7.6 percent of their total income tax bills and seniors will save 17.1 percent. Those making more than $200,000 will save a lot less as a percentage of their taxes paid, at 2.2 percent.

Opponents of this policy want to persecute these taxpayers—I point to those earning $200,000 and over—by taking back their 2.2 percent savings.

At the same time, they would punish these taxpayers, those under $50,000 at the lower income level, by taking away their 7.6 percent savings and punish the seniors in the same tax bracket by taking away their 17.1 percent savings.

One cannot help but wonder, as we are all concerned about senior citizens having a decent opportunity to have a greater retirement, one that is comfortable as when they worked, with a chance to keep their tax savings at what they are right now, and not raise them or lower them anymore—but raise their taxes by 17.1 percent?

This chart illustrates the relative savings from reduced capital gains taxes across the alternative minimum tax levels. Now, here again, extending the lower tax rates will give a bigger percentage reduction in their tax bill for taxpayers making less than $50,000. Opponents of this policy want to persecute these taxpayers earning $200,000 and over by taking back their 7.6 percent savings. But that also has a negative impact, then, upon lower income people, people making $50,000 and under, by taking away their 10.2 percent savings. And they would punish senior citizens in that same tax bracket of $50,000 and under, by taking away their 13.2 percent savings.

Extending this tax policy, not cutting taxes but extending existing tax policy, will provide meaningful tax savings to taxpayers across the income spectrum. Lower income taxpayers will save more than higher income taxpayers when measured as a percentage of total tax liability.

Extending the lower rates will allow millions of Americans to keep more of their money to spend or add to their savings through reinvestment in the economy rather than give it to those in Government to spend for them.

Those on the other side describe the capital gains and the dividends provisions as applying to only a few high-income taxpayers. The reality is reflected in the following chart. Take a look at capital gains. I will not go through every State, but in the State of California, 839,616 families and individual taxpayers report capital gains. If you take a look at the dividend statistic in California, 2,053,398 families and individual taxpayers report dividends.

I will not take time to go through all of these, but if you think the economy growing at 4.8 percent, as Chairman Greenspan says, is because of the tax policies of 2003, and we have the economy growing, why would you want to hit these families with a big tax increase on capital gains and dividends? Two million more families in California is only one State. Why would you want to hit them again? It seems to me in California you would want to keep the economy growing, as we want to keep the economy growing in Iowa.

We know that 7.5 million families and individuals across the country with capital gains are not all millionaires, obviously. We know that 19 million families and individuals across the country with dividends are not millionaires. These numbers are based on 2003 IRS data.

The Joint Tax Committee estimates for 2005 over 21 million returns will report dividends savings and 6 million of the returns will be filed by senior citizens. Nearly 12 million returns will report capital gains tax savings with almost 4 million people who are senior citizens. These families and individuals are not millionaires.

Yet to listen to some on the other side, all of these people are wealthy. That false assertion is going to be repeated time and time and time again. That false assertion in itself is their justification for opposing this conference report, putting in jeopardy what Chairman Greenspan said is a reason for economic recovery, therefore putting in jeopardy economic recovery and taxing all of these people when this sunsets by taxes going up automatically, because there will not be a vote of Congress, by an increase of 33 percent. It does not make sense.

To sum up, my goal for this conference was to produce a true bipartisan bicameral compromise with both bills. A compromise should accommodate the centerpiece of each bill, meaning the House bill and the Senate bill. That includes the AMT relief in the Senate bill and the dividends and capital gains relief in the House bill, take care of common extenders and maximize tax relief by using appropriate revenue-raising measures. This bill contains the cornerstone of each body's bill. It is conditioned upon an agreement between the Ways and Means and Committee and Finance to process the extenders and other issues on later vehicles. I believe the conference agreement and collateral agreement on extenders is a fair outcome of the House and Senate.

To make everything relatively clear, I did not make up my mind to sign this conference report until we had 6 hours of negotiations with the House of Representatives last Friday. Even though we had an agreement on reconciliation, I wanted to make sure there was some understanding on what we were going to have in the follow-on bill, everything that could not be included in the conference report. As I said, it is somewhat under negotiation, but I am satisfied we have enough of an agreement that I can come back and say the things that the Senate, for the most part, is concerned about, that are very basic to our economic growth, will be included in a bill that will come before the Senate shortly.

I yield the floor.

UNANIMOUS CONSENT AGREEMENT—S. 1955

Mr. BAUCUS. Madam President, in consultation with the chairman of the committee, I ask consent that the filing deadline for the second-degree amendments to S. 1955 occur at 3 p.m. today.

The PRESIDING OFFICER (Ms. MURKOWSKI). Without objection, it is so ordered.

Mr. BAUCUS. Madam President, I begin by commending my good friend, the chairman of the Committee on Finance. He is a great American. People in Iowa are very lucky to have him representing them. I know of no finer man in the Senate.

I know Senator GRASSLEY sought to defend the Senate's position in the conference committee. He is a proud man, too. He wanted to do what is right in defending the Senate's position, but I regret the conference committee could not end up more like the Senate product because the conference before the Senate today is much different than the bill that passed the Senate. It is so different that I am raising questions as to how much of the Senate bill we have in the conference.

This past Saturday, Lillian Asplund died. Ms. Asplund was the last American survivor of the 1912 sinking of the Titanic. She was the last survivor with actual memories of the event. Ms. Asplund's life reminds us that people make choices, and those choices can have significant consequences. Just as much, the bill before the Senate today reflects choices. Those choices will have significant consequences.

Shortly after midnight on that cold morning of April 15, 1912, passengers started evacuating that doomed ship. At the beginning, women and children went first. But it was not long before that rule gave way. Soon it became clear that the privileged went into the rescue boats first.

About that time, the most extraordinary thing happened: Some of those privileged and wealthy passengers decided to give up their place in line. They decided to let others go first. Benjamin Guggenheim, the son of the colossally wealthy mining magnet, sipped brandy and smoked cigars in a deck chair while the ship went down.

Today, on this bill, we see no such valor, we see no such sacrifice. Rather, in this bill, ideological wants push their way to the front of the line, ahead of America's needs.

At the end of last year, 16,000 American businesses lost their tax incentive to create high-paying research jobs for American-based workers. But relief for them did not make it into this bill.

At the end of last year, millions of school teachers lost a small but significant tax break for classroom supplies they purchase out of pocket. But relief for them did not make it into this bill.

At the end of last year, millions of middle-income American families with kids in college lost the ability to deduct tuition costs. But relief for them did not make it into this bill.

These provisions—what some people call the popular ''tax extenders''—were given second-class status. They did not make it into the lifeboat. And to what did these popular, already-expired tax provisions have to give way? Well, the first-class passenger on this ship is a tax break for investors, where not one dollar will be used until January 1, 2009.

I think it is important to remind ourselves of that. Not one dollar of cap gains and dividend tax breaks will be utilized by anyone until January 1, 2009. That is several years from now.

But some will say this tax break for 2009 is desperately needed today—Why? they say—to provide certainty. You might as well just call this tax bill, the 2009 Tax Increase Prevention Act, because it does just that: it prevents tax increases for the most well-off in the future, in 2009. This bill chose to prevent a tax increase in 2009, rather than prevent tax increases in 2006.

For the millions of families, teachers, businesses, and workers out there who lost their tax benefits on January 1 of this year, there is no tax increase prevention in this act. There is no ''tax increase prevention act'' for the so-called second-class citizens.

I do not call them second class at all. They are Americans. They are teachers. They are people working in research and development. They are families and kids trying to pay tuition costs. There is no relief for them. All of those provisions expired at the end of last year. Here we are, well into 2006, and they are not in this bill. Middle-American provisions are not in this bill. No. Rather, what is in this bill is for 2009, a tax break for 2009 for investors.

Well, some will also say: Oh, don't worry. Other tax legislation may be, might be, should be coming soon. Yes, and the check is in the mail.

Some will say these 2009 cuts on capital gains and dividend income will benefit all Americans, and you will see a blizzard of statistics and quotes to try to substantiate that point, including the chart you recently saw from my good friend from Iowa. Actually, that is not a Joint Tax Committee chart. That is a chart based upon the Finance Committee staff with Joint Tax Committee statistics. And that chart, frankly, does not accurately portray the facts. Many commentators who have commented on that chart have pointed out the discrepancies in it.

I am not going to get into this tit for tat, back and forth as to whose statistics are better. But I will say this, it defies common sense to argue that a tax break that takes effect in 2009 for the high-income Americans somehow benefits middle-income and lower income Americans more than the most wealthy. That totally defies logic. Someone can come up with a set of statistics to try to make that point but it is patently absurd.

Some will say these 2009 tax cuts, as I say, will benefit all Americans, and you will see statistics, but that is not the fact.

I decided to go to the source. I represent Montana. The more than 900,000 residents of Montana are my employers, so I asked the Montana Department of Revenue where the benefit of these tax cuts would go. Well, of course, not everyone in Montana has this type of investment income.

So the Montana Department of Revenue told me that just 400 households in Montana would receive an average benefit of $14,000 from the capital gains tax cut in 2009. Roughly, 90 percent of the households in Montana would get almost zero benefit from the capital gains cut. Ninety percent: almost zero benefit.

With these numbers, it is very hard for me to understand why this 2009 tax break is urgent, while Montana teachers and families with kids in college who lost their tax break last December must wait for the next rescue boat, whenever it may or may not occur.

Of course, I am very pleased that protection is in the bill from the alternative minimum tax. I am pleased that conferees included the full Senate-passed version.

Some may recall, it was a struggle to get that in the Senate-passed version last November. The original version, and the version that came out of committee, did not include a full hold harmless from the alternative minimum tax. Those versions would have left 600,000 more families paying that tax. We fought to improve the Senate bill to be a true hold harmless. And we succeeded in doing so before the bill finally left the Senate. That version is retained today. This protection from the alternative minimum tax will protect almost 17 million families across our country, including about 45,000 in Montana. The Montana tax collector tells me that AMT protection will help about a quarter of all households in Montana with incomes between $45,000 and $80,000. That group might have otherwise seen an average tax increase of $1,700.

Unfortunately, there is little else in this bill to be proud of. Working families have been left behind. Congress has chosen ideological wants over America's needs.

The Senate-passed bill did the tax business the Congress needed to do this year. I am proud of that bill. In contrast, the bill before us leaves much work undone. As a result, the deficit will probably be larger because the conferees made the choices they did.

I will have more to say about the fiscal effects of this bill. In the end, those effects may be the real iceberg. The fiscal effects of this policy may be the real disaster. Madam President, I urge my colleagues to reject the choice made by this conference. I urge my colleagues to vote against leaving those families and teachers and workers behind. I urge my colleagues to reject this disastrous bill.

One other point, Madam President, is this: The conferees had a choice. Basically, we did one thing we had to do. I should not say "we" because I was not on the conference. I was not allowed to be a member of the conference. But while the conferees did do something that was good—that is, make sure the taxpayers do not have to pay the alternative minimum tax—they had another choice, and the choice basically is this: Do they enact a tax break that does not take effect until 2009, for investors, or do they include provisions such as the research and development tax credit, the WOTC, the work opportunity tax credit, the tuition tax deduction, and the teachers deduction, which expired last year? Do they enact those and extend those for this year so people will still know research and development is important this year?

Again, the choice is: On the one hand, enact a provision that does not take effect until 2009 for investors or, instead of doing that, because that can be postponed for a couple years—we are not yet in 2009—extend the provisions which expired last year. These are provisions that American business and industry and innovators are desperately depending on—that is, the research and experimentation tax credit—to help America be competitive in the world. Or they could have included provisions that parents paying for college tuition can count on, teachers can count on for the supplies and so forth. All of these expired last year.

So again, the choice is: a 2009 tax break or help maintain those provisions which expired last year. That is basically what all this comes down to. That is the choice that was before the conferees. And the conferees chose the former, the 2009 extension—it does not take effect for a few more years—for the most well-off, at the expense of American businesses, their companies, and universities that are so depending on the research and experimentation tax credit. And, at the expense of teachers who so clearly today depend upon that little extra help for classroom supplies, at the expense of kids and families who so need that tuition deduction.

That was the choice that was made. And the choice, as I said, was ideological wants of a few at the expense of America's needs. That is basically what is before us today. That is why I think it makes sense not to adopt this conference report.

Madam President, our country is in a battle. It is a competitive battle with the rest of the world—China, India, Eastern European countries. There are so many countries that are so excited about their future, and they are trying to increase their economic position. I take my hat off to them. They are trying very hard, and they are doing a great job. Certainly, businesses in China and India are.

We have to meet that challenge. And it is a great opportunity for us. But to meet that challenge, we have to start today thinking strategically, thinking longer term. What does that mean? That means much more attention on education, a lot more attention on education, so we have the best and the brightest in America who can design the products we can utilize here, with high-paying jobs here, and export those products overseas.

Also, there is so much we have to do. We have to stop thinking short term in this country, in this Congress, in this administration and start laying the foundation for the long term.

Now, some will say: Well, we need, in 2009, to extend, for 2 more years, the dividend and capital gains tax cut because that is good for America. I have to say, I have lots of arguments and statements by very reputable people who say that is not the case. Let me refer to a couple of them.

Let's take the Federal Reserve. Let's talk about the stock market. Federal Reserve economists recently compared key U.S. stocks, which would benefit from the 2003 tax cuts, to other investments, which would not. What did they conclude? What did Federal Reserve economists conclude:

> We fail to find much, if any, imprint of the dividend tax cut news on the value of the aggregate stock market.

That is the conclusion of Federal Reserve economists. The Congressional Research Service agrees. What do they say?

> Any stock market effects represent temporary windfalls to holders of current stocks and are simply a manifestation of the income effects of the tax cuts; these wealth effects should not be considered as an additional stimulus. . . . Recent studies finding that dividends had increased substantially have been used to argue that the tax cut induced private savings. This evidence does not appear robust. . . .

There are lots of comments—lots. And I might say: Why is the economy doing pretty well today? The proponents of this conference report would like to say: Oh, it is because of the other tax cuts. The stock market went up dramatically more before those tax cuts went into effect. And since those tax cuts went into effect, the stock market has not done so well.

I might also point out that the economy is doing well now. Why? Read this morning's paper. There was a big, long article asking: Why is the economy doing so well? And what does this morning's paper say? What are the conclusions, basically? It is because of strong, aggregate demand—where? China, India—for commodities, for oil, for gas, for coal, for uranium. That is what I think has kept basically demand strong. It is, also, frankly, a major propellant for the economy today. It is not the dividends and capital gains tax cut. That is a ruse. I am not going to go into it any more than that because I know subsequent speakers will have a blizzard of statistics to argue the opposite.

It kind of gets me to another point. When the rooster crows, does that cause the Sun to come up? Does it? I don't think so. Did the dividend and capital gains tax cuts cause the great economy we have? Not necessarily.

You have to ask yourself what is the real cause. The real cause is the underlying demand from other countries which are buying so many commodities. That is one reason why the price of oil is so high today, and that is what is causing the market to go up. That is what is causing the economy to be strong.

We have to ask ourselves: That is today; what about tomorrow? What about next year, 2 or 3 years from now? These tax breaks are also going to make the deficit and debt much worse. We want to be strong tomorrow. By tomorrow, I mean the next few months, the next, couple 3 years. We want the stock market to be high during that period. We want demand and wages to be high.

That will happen the more we focus on the basics today. The basics again are education, research, and development so that we start strategically to plan for our kids and grandkids. The conference report before us decides against that. This report says: No, forget the basics. Forget teachers, forget research and development. Even though those provisions expired last year, we won't do anything about them. Rather, we are going to pass this provision which costs so much money in this budget and doesn't take effect for 3 more years. That is not a choice most Americans would want us to make.

I notice Senators BINGAMAN and DODD have been waiting to address the Senate. I would like to inquire through the Chair whether the Republican side has a speaker who wishes to speak. If not, I yield 10 minutes to Senator BINGAMAN, to be followed by 15 minutes to Senator DODD. I ask unanimous consent for that. That is 10 minutes to Senator BINGAMAN and 15 minutes to Senator DODD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from New Mexico.

Mr. BINGAMAN. Madam President, I thank my colleague, Senator BAUCUS, for his leadership and for yielding me time to make a few points. I know my colleague from Connecticut is here, ready to make some additional points. I will try to be brief.

I wanted to point out some of the reasons why I am strongly opposed to this reconciliation bill. I don't think it is responsible for us go forward with debt financing of another tax cut for the wealthiest while, as I see it, we are ignoring the need to reduce the deficit. We are ignoring many of the country's other needs. We are not following through on earlier efforts we made to create an energy plan for the country. I want to focus on that since I have been involved in some of the legislation that put that plan in place.

A few weeks ago, the majority held a press conference announcing a variety of initiatives to deal with our energy problems. One of them, of course, was to have a $100 check that would be sent to each taxpayer. The public reaction was pretty swift. It was pretty clear that the public thought this was a gimmick. They thought this was irresponsible, particularly given the size of the deficit. The majority essentially decided, then, that that was not a part of their energy plan with which they wanted to proceed.

Now they are bringing to the floor a tax bill which does virtually nothing for most of these people who previously were in line to get the $100 tax rebate. The question is probably coming back to some of these people now that if we can afford to give the kind of tax relief that is provided for in this bill to those who are better off, those who are wealthier, maybe we should go ahead and send $100 to everyone, sort of as a consolation prize, so that they, too, can participate in this tax-cutting effort. We ought to think of this in the context of what we have been doing in the last few weeks around here.

It is estimated that in my State of New Mexico, there are about 18 percent who will, in fact, receive any benefit at all from the reconciliation bill before the Senate. If we look specifically at the bottom 60 percent of working New Mexico families, their average tax cut is $15. In contrast, the top 5 percent in my State would get 64 percent of the tax cut. This is at a time when the price of gasoline is very high, the price of educating a family's children is very high, and when the price of health care is extremely high. Obviously, there is a ring of unfairness about the allocation of these tax benefits which strikes everybody.

I wanted to talk a minute about the provisions related to energy. An important part of the Energy bill we passed last year was to provide tax incentives that would move us away from dependence on foreign oil. We passed a variety of those. Let me put up a chart that lists a few. Of course, there was an R&D tax credit which has already expired. There was an electricity from alternative fuels tax credit. There was a home energy efficiency tax credit, where you would get a credit if you wanted to put a solar heating system on your house, for example. There was a credit for fuel cells for microturbines, an electric car tax credit, clean renewable energy bonds, a hybrid vehicle credit. We put a lot of those in the law. Unfortunately, because of the fiscal situation of the country, we said: They are going to expire at the end of 2007.

That date is approaching. Frankly, the way we wrote it, we said: You cannot get the tax credit we are writing into law unless you have put your project, you have built it and put it into service prior to the expiration of the tax credit. Well, the expiration of the tax credit is about 18 to 19 months away. A lot of people are beginning to say: Wait a minute. Let's hold off on any additional investment in alternative energy. We can't proceed with the wind farm, the solar power installation because these tax credits are going away.

We ought to be addressing that. Instead, we are saying: Let's add a couple years, out to 2011, to the tax provisions that assist the most wealthy. That is misplaced priorities.

It is important that the Congress try to follow through on what we did last year. We have a very short attention span in the Congress. Two weeks ago, everyone was holding press conferences about how we are going to solve our energy problems. Here we are now, using up any ability we have to extend the tax credits that were part of the solution to our energy problem down the road. We need to think about that, and I hope we will.

Let me talk about one other issue that I believe is so egregious, it needs to be focused on before the vote on this conference report. This came to my attention, quite frankly, when I was getting a cup of coffee this morning. I said good morning to one of the people who works in one of our offices here, a friend of mine. And she said: Good morning. Another beautiful day in the land of make believe.

I thought, that sounds right. And I started questioning, as I was going back to my office, exactly why we all agree that this is the land of make believe, this Congress, this Capitol Hill is the land of make believe. Then it became clear to me when I focused on this provision. Under current rules in the Senate, we can't consider this bill as a reconciliation bill under special procedures, if it, in fact, would make the deficit worse outside the budget window. That means after 2010, outside the 5-year period. It is clear to everyone who is willing to look at it that this bill does add to the deficit after 2010. But the folks who put this bill together have found a very ingenious offset which they claim will allow them to extend these tax cuts for the wealthiest without, in fact, adding to that deficit outside the budget window.

You ask: What is that ingenious offset? The ingenious offset is a provision that allows couples with incomes over $160,000 to convert their individual retirement accounts from regular conventional accounts into Roth IRAs and pay whatever tax is due in accomplishing that which would be some tax. Of course, once they have made that conversion from the IRA to the Roth IRA, then they have paid any tax that is due, and any future earnings on those funds is protected from any future obligation. That is why, when we wrote the Roth IRA into law, we made provision and said: We are only going to give this kind of a tax benefit to people whose incomes are not too high. If a couple has over $160,000 in income, they are not eligible for a Roth IRA. That was what we determined. We said: Of course, you can't convert a regular IRA into a Roth IRA if your income is too high.

In this bill we are saying that is no longer the case. In this bill we are saying: If you are Bill Gates or Warren Buffett or whoever you are, if you have a regular IRA, you are welcome to and encouraged to convert it into a Roth IRA, pay whatever tax is due. And then, of course, from then on there is no tax due. Why would we stick this in? This is another tax break for the wealthiest. Why would we stick this in? We stick it in because it results in some additional revenue coming into the Federal treasury over the first 3 years that it is in effect. So while people are making these conversions and paying the tax they have to to make those conversions, the Treasury is earning money. And we can use that money to offset the large deficit increase that otherwise would be occurring after this budgetary window, so to speak.

Of course, after the Federal Treasury receives that revenue for 3 years, it starts losing revenue because of this very provision. As our Vice President would say: It loses revenue big time after that. So we will lose $4.5 billion in revenue over the 10-year period and substantially more in the future after that. So who benefits from this offset provision that was put into this conference report? I will tell you who benefits from it: 99.4 percent of the benefit goes to the top quintile of income.

The PRESIDING OFFICER (Mr. ENSIGN). The Senator has used the 10 minutes that was yielded to him.

Mr. BINGAMAN. I ask unanimous consent for 1 additional minute.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BINGAMAN. Let me conclude by saying that there are many reasons why people should vote against this reconciliation bill. It is bad fiscal policy. It is bad priorities as far as what extensions we ought to be focused on at this time, if we can afford extensions. It also has in it some of these provisions that are bad policy and egregious in the effect they have. I hope my colleagues will reject the bill when it does come to final vote.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the Senator from Connecticut is recognized for 15 minutes.

Mr. DODD. Mr. President, I begin by thanking my friend and colleague from Iowa, chairman of the Finance Committee, and the Senator from Montana for the hard work they and their staffs put in on this legislation. These are not easy bills to deal with, either in this Chamber or the other. And getting through conference always poses a trying time for everyone. Regardless of what positions we take on the final product they present to us, we have a great deal of respect for the work they do. I commend my colleague from New Mexico, as well, for his fine comments this morning regarding this legislation.

It is sort of a nasty day in Washington weather-wise. I was noticing this morning a lot of our constituents from around the country are in the building to see their Nation's Capitol. We have a lot of students, a lot of people with families, and graduating classes that have come to Washington. I was trying to think how I might explain to these younger people, if asked—and I will be meeting with various student groups from my State of Connecticut later today—the $8.4 trillion in our Nation's debt.

What is $8.4 trillion? That is a big number. That is the size of our national debt as we gather here this day in May of 2006. The way I thought I could possibly explain it would be like this: Since they are in this building today, if these students would stand on the steps of the Capitol and hand out one-hundred-dollar bills, a one-hundred-dollar bill every single second, 24 hours a day, 7 days a week, for the next 2,635 years, you would equal $8.4 trillion—a one-hundred-dollar bill every second, 24 hours a day, 7 days a week, for the next 2,600 years. That is the level the debt has reached in the last 5 years under this administration and in this Congress. That is a staggering amount of money.

So when somebody says to you: What is $8.4 trillion, explain it to them in simple terms. I will hand out a one-hundred-dollar-bill every second for the next 2,600 years, every single day of the week, every minute of the day, and that is the national debt.

Now we are about to add $70 billion to that without paying for it. And the benefits don't even go to the average citizen. Quite frankly, very few of them get much at all. In fact, the middle 20 percent of income earners will get an average tax benefit of only $20. That doesn't even fill a car's gas tank today. Go to your local gas station and try to put $20 worth of gas in your car and find out how much you get. That is your tax break.

If you fall into the $35,000-to-$65,000 range of income, that is what you get out of this bill. So the benefits are very small and we're not paying for the bill, so it adds to the deficit and the national debt—which is already staggeringly high. Frankly, we are disregarding very important priorities that we ought to be considering. With all due respect—and I know the managers tried their darnedest to get a better bill, and I know both of the gentlemen—this bill should be rejected. I don't know how we go back to our constituencies and explain that the fiscal irresponsibility of this Congress and this administration should dictate that we ought to allow our national debt to grow to the extent that it is growing.

So my hope is that when the vote occurs, our colleagues, Democrats and Republicans, would say no to this; that we should go back and try again. This is not a good bill, and it will do a great disservice to our country.

What are we going to use the money for? Where is it going? We intend to use this money—this $70 billion that we are going to put on a credit card—by the way, of that $8.4 trillion, who do you think holds about a quarter of that mortgage? It is not held in America; $2 trillion of that debt is being held offshore in some countries that don't necessarily have the best interests of our country at heart. They are holding that mortgage, and we are going to give them $70 billion more, more than likely, or a good part of it, to be held offshore.

We have young men and women serving in uniform in Iraq and Afghanistan who are putting their lives on the line. Are we going to pay for that? Of course not. Are we providing for the veterans who have come home who we know need significant help in health care? No. Are we going to invest in education? How many times do you have to read that we need to do a better job in education in our country if America is going to be able to compete in the 21st century? But no. Research and development? No. How about alternative fuels so that we are less dependent on foreign sources of energy? No. Or infrastructure? There is not a person anywhere who won't warn you that our roads, highways, sewage systems, and water systems are collapsing in many places, and we are doing nothing about replacing or maintaining them. None of this bill goes for that at all.

Under this bill, mainstream Americans—the middle 20 percent of income earners—will get an average tax cut of $20. I suspect that a lot of the people we saw arriving in our Nation's Capitol, walking the halls, would fall into that category. They are going to get about a $20 break in this bill. I won't go down this complete chart. But if you make less than $10,000, of course, you get no tax break. If you make $10,000 to $20,000, you get $2. If you are in the $20,000 to $30,000 category, you get $9. If you make $30,000 to $40,000, you get $16 in a tax break in this bill. If you make $40,000 to $50,000, you get $46. If you are in the $50,000 to $75,000 range, it is $110. I will jump ahead. If you are in the two-tenths of 1 percent of the population of this country that makes more than $1 million, you get a $41,977 tax break.

I don't agree with some of my colleagues and others who talk about a sort of class warfare, pitting those in the middle against those who make a lot of the money. I represent one of the most affluent States in the country on a per capita income basis. Connecticut is always listed near the top on per capita income. I have a sizable part of my constituency that do well financially and would benefit under this bill. As I stand here today, I will tell you that the majority of those people who do well in my State think this bill is a bad idea. They are not calling and writing and e-mailing and demanding that this bill be signed into law. They understand fiscal responsibility. They think it is a mistake for us to go deeper and deeper into debt, and to deliver little or no benefit for anyone other than those with incomes of over $1 million.

There are 146,000 people in this country in the top one-tenth of one percent of income earners, who make more than $5 million a year on average. They get an $82,000 tax break under this bill; 146,000 people get an $82,000 tax break. How many of those people do you think actually need that tax break to make the kind of investments that the supporters of the bill envision? A tiny fraction, if any, would admit that this bill has any merit when it comes to growing our economy. I do know that a small percentage of our population gets a windfall here. The average citizen gets little or nothing.

We are not making the kinds of investments in our country that we ought to be making, and we are going deeper and deeper into debt. We in this generation are going to have an awful lot of explaining to do to coming generations, as to why we left such a mess on their doorstep as we go off into retirement and they are left trying to figure out how to pay these bills.

My colleague from North Dakota, and others, when we considered the bill on the floor, offered amendments to pay for these provisions. We lost them on party-line votes, pretty much. If you want to have a $70 billion tax break, pay for it, we said, but we lost. Pay-as-you-go proposals were made on this side of the aisle. They were rejected by the other side. Of course, we come back from the conference report with the House and the bill gets even worse.

Let me you show what happened. Senator BINGAMAN of New Mexico did this eloquently. Let me explain it again because it shows you the sort of fantasy world in which people are living. We have all kinds of priorities we need to address in the tax code, some of which were part of this bill when it went over from the Senate—provisions that provided for research and development tax incentives, electricity from cleaner fuels, energy-efficient home tax credits, solar investment, electric car credits, and so forth—reflecting what we are hearing from constituents: Do something about the dependency on foreign oil and the rising price of gasoline. That is what our constituents are asking us to do for the future. But we go to a conference and come back and we dump provisions like the R&D tax credit from the bill and fail to address the pressing energy issues. This bill addresses none of those priorities. Under previous legislation, we've taken care of estate tax relief and top marginal tax relief up until 2010. And now in this bill, we have, of course, capital gains and dividend tax relief in this bill, which have 2 more years on them. They are not going out of date in the next few months, or even the next year. Why not wait and see whether you really think you need to extend them further? Instead, we dump the very provisions to which the American people think we ought to pay attention, not to mention putting non-pressing capital gains and dividends tax benefits ahead of all these other items I talked about that the American people think are important.

So the R&D tax credit is gone. A chance to address the Alternative Minimum Tax for a more meaningful length of time is gone. How about the provisions for kids in college that allow their parents a deduction for tuition expenses? That got dropped from the bill. How many Americans would like tax relief when they are looking at the rising cost of a college education? It is very important to us as a country that those of you in the middle-income category in this country can afford to send your kids to college. We provided for that in the bill, and it got dumped in order to take care of the top two-tenths of 1 percent of income earners. Those were some of the ideas that we thought were important to send over to the other body.

As I mentioned, my colleague from North Dakota offered the amendment that would have paid for these tax cuts, but it was rejected.

Mr. President, I find this terribly disappointing. I wonder if anyone is listening at all. I am not suggesting that all of the wisdom in the world resides in one corner of this Chamber or the other. But I don't know how, when the debt is mounting at the rate it is, with debt being held offshore by countries who don't necessarily have our interests at heart, we are not investing in things that we ought to be investing in to make our country better prepared for the 21st century; how we are squandering our ability to prepare for the great challenges we will face economically in the 21st century. In the midst of all of that, we turn around and take up a tax bill costing $70 billion, which is unpaid for, the overwhelming majority of which goes to those who, frankly, don't need it or want it. And we do this at the expense of everything else we should be doing in our country.

Again, we are adding to that $8.4 trillion in debt. When you want to explain it back home, just say if you give away a one-hundred-dollar bill every second of every day for 2,600 years, you will get that number. How do you explain that in 5 years we have accumulated so large a portion of that debt, yet we are adding to it today with this irresponsible piece of legislation?

I urge my colleagues to reject this conference report when we have a vote later today.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, first, I will respond to some of the things that Senator BAUCUS brought up in his opening statement. He complimented me in our working through this, and I always have a good working relationship with Senator BAUCUS. And 90 percent of the time, or maybe more, he and I are on the same side of the fence. I remind people in the Senate that on three occasions, in November and January and February, we were on the same side of the fence on this issue.

The difference between us now is related to the extension of the capital gains and dividend tax credit that was not in the Senate bill at that particular time. And since it is not in the conference report, that is one of the reasons he and I are on separate sides of the fence.

I will respond to some of the points he made on extenders because they are not in the conference report. Senator BAUCUS's criticism is right that they are not in this bill. They are, however, covered in a collateral agreement between tax-writing committees and congressional leadership. And on a document basis for my saying that we will be dealing with those, even though they are not in the conference report, I ask unanimous consent to have printed in the RECORD a joint statement on a collateral extenders agreement, that they will be in a follow-on piece of legislation that ought to be before the Senate very quickly. These are not in dispute between the House and Senate. This is a product under negotiation, but these issues are no longer under negotiation.

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

Hon. CHUCK GRASSLEY,
Chairman,
Committee on Finance.

Today a majority of conferees signed the conference report on H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005, and filed it with the House floor. Sen. Chuck Grassley, chairman of the Committee on Finance, and chairman of the conference committee, made the following comment on the conference report. A detailed summary of the conference agreement follows.

STATEMENT OF CHAIRMAN CHUCK GRASSLEY, SENATE COMMITTEE ON FINANCE

CONFERENCE REPORT ON H.R. 4297, THE TAX INCREASE PREVENTION AND RECONCILIATION ACT OF 2005, TUESDAY, MAY 9, 2006

The tax relief laws extended in this conference report are working to strengthen the economy and protect millions of families from footing a higher tax bill because of the Alternative Minimum Tax. Rolling back these widely-applicable tax relief measurea would hurt the economy and mean less take-home pay for hard-working taxpayers. By acting on this tax reconciliation conference report, Congress will assist small businesses, encourage the kind of investment that creates jobs and makes our economy grow, and ensure more fair tax treatment for middle-income families who would otherwise be left to pay a tax intended for wealthy individuals. Ultimately, these temporary fixes need to become permanent law if Congress is serious about promoting economic growth and tax fairness.

In addition to the tax reconciliation conference report, Chairman Thomas and I have an understanding about how other expiring tax provisions will be extended in a second tax bill, including relief for college students paying tuition, teachers buying supplies for their classrooms, and the research and development of innovative ideas that benefit our society. The items in this second tax relief bill reflect additional tax policy priorities for both Republicans and Democrats in Congress, and I look forward to congressional action on the legislation as soon as possible.

Mr. GRASSLEY. Mr. President, on Senator BAUCUS's criticism of the charts that I used, let me say that the charts reflect the data of the Committee on Joint Taxation. I explained how the Committee on Joint Taxation is a professional group, not a Republican group or a Democrat group. They are paid by the taxpayers of this country to be experts on tax policy. I challenge many of my critics, and the sympathetic ears that these critics have in the east coast media, to also use the joint tax data because in a lot of the presentations already, and today, we are going to hear statistics that don't come from the green eyeshade people who have no political ax to grind in the Joint Tax Committee but, quite frankly, come from liberal think tanks who do have a political ax to grind.

I ask Democrats to use Joint Tax Committee data. I think my friends on the other side have an issue with the perspective of the charts. The charts I used earlier take into account the tax savings taxpayers enjoy relative to their tax burden. Democrats tend to look only at the tax benefit. They ignore the taxes people pay. That is where there is a very real difference. It is philosophical. The charts I used are accurate.

On the number of taxpayers by State, the source is the Internal Revenue Service, not a conservative or liberal think tank.

Finally, on the need to do an extension now, just ask folks in the market whether this decision to extend the capital gains and dividend tax provisions ought to be done now or in the year 2008. We hear that it is very important to have a long-term tax policy if you are going to encourage investment, and that is why we are extending this now at this particular time.

I would also like to refer to some comments that were made by the Senator from New Mexico. He spoke about the impact of one of our offsets for policy long term, speaking about the Roth IRA being the wrong kind of policy to put in this bill.

It is interesting to hear my friends on the other side criticize the Roth IRA conversion provisions in the conference report. One would be led to believe that this protaxpayer provision is somehow an evil Republican idea that the Democrats have never seen before. But I am afraid that my friends on the other side of the aisle have a short-term memory. They are giving this Finance Committee chairman and my Republican colleagues too much credit.

I wish I could take credit for what is called the Roth IRA. Maybe it could be called the Grassley IRA. But I can't. There is another Finance Committee chairman, not a Republican, who first laid out the exact IRA conversion proposal that is in the conference report we are going to vote on today.

Way back in 1991, there was a chairman of the Finance Committee, a famous Senator from Texas, by the name of Lloyd Bentsen. He introduced the identical provision as part of what they called the Tax Fairness and Savings Incentive Act of 1991. If the Roth IRA—later named the Roth IRA—was tax fairness in 1991 when the Democrats wrote it, it is tax fairness in 2006 as it comes back in a conference report.

Chairman Bentsen's bill would have allowed all taxpayers, regardless of income, to convert amounts from traditional IRAs into the new Roth-styled IRA account that he also proposed. In fact, the only difference between Democratic Chairman Bentsen's original proposal and the provision in the conference report is Chairman Bentsen's bill would have given taxpayers 4 years to pay tax on converted amounts compared to the shorter 2-year period under the provisions in this conference report.

But some may ask: Was Chairman Bentsen just a lone Democratic voice in the wilderness on this issue without support from fellow Democrats at that time in 1991? Not surprising to those of us who had the honor of serving with Senator Bentsen, it wasn't just his idea. His bill was introduced with 13 Democrats as original cosponsors, and it has a prominent list of Democratic cosponsors, many of whom are still serving with us in the Senate today. In fact, I can point to my good friend from Montana, Senator BAUCUS, as one of the original cosponsors of Chairman Bentsen's bill. Let me name some others: AKAKA, DODD, INOUYE, LIEBERMAN, MIKULSKI, and Senator PRYOR's father was also an original cosponsor. So this is not a new idea, nor is it a Republican idea. It is an idea which has had bipartisan support in the Finance Committee and the Senate for the past 15 years, ever since Chairman Bentsen first proposed it. Indeed, the Bentsen bill was just the beginning of a long bipartisan history of this provision. So why today is there not bipartisanship on this issue?

In the next Congress, after Senator Bentsen became Treasury Secretary under President Clinton, the bill was introduced. Senator Roth—who would, of course, later become Finance Committee chairman—introduced Senator Bentsen's former bill, including the proposal that would become known as the Roth IRA conversion proposal. Senator Roth introduced this bill with a bipartisan list of 57 original cosponsors, 24 of whom were Democrats.

In the next Congress, Senator Roth reintroduced his bipartisan legislation with 52 cosponsors, and 18 Democrats were cosponsors of that bill, including Minority Leader REID and Senator KERRY. It was a good proposal for the Democrats then. So why is it not a good proposal today?

Democrats say they are concerned about the budget deficit, but we all know our deficit was much larger as a percentage of GDP in the early 1990s than it is today. The real question is, Do my Democratic friends really oppose this protaxpayer provision that merely creates a level playing field when it comes to access to retirement plans or do they only have this objection because the provision is part of a progrowth tax relief bill that the Democratic leadership has decided to oppose today?

The bipartisan history of this concept didn't stop when Democratic Chairman Bentsen became Secretary of the Treasury. Roth IRAs became law in the Tax Relief Act of 1997. The Senate version of that legislation allowed all taxpayers to convert traditional IRAs to Roth IRAs, the same as the conference report before us this very day.

That bill passed the Senate—now listen, that bill passed the Senate. The exact thing we are doing today passed the Senate by an overwhelming 80-to-18 bipartisan vote.

When an income limit was placed on Roth IRA conversions during the conference negotiations in the 1997 act, the Senate came back the very next year in the IRS Restructuring and Reform Act and again showed bipartisan support for expanding the eligibility for Roth IRA conversions. Expanded Roth IRA conversion eligibility was part of the Senate bill which passed unanimously 97 to 0. So obviously Democrats voted for it then. It was also included in the final conference report which passed the Senate 96 to 2.

I hope this makes it very clear that this isn't a provision which came out of thin air. This isn't a Republican proposal. This isn't a budget gimmick. This is a provision which Democrats have long supported. This is a provision which was proposed by a Democratic chairman of this committee. This is a bipartisan provision. And most importantly, it is a good provision. Good policy makes good politics. It is a protaxpayer provision. This is a provision which means all Americans have access to the same retirement plans. This is a provision which brings in real revenue to the Federal Government. This is a provision which will increase tax compliance in an area in which there is much room for improvement. This is a provision which rewards those who work hard, pay their taxes, and do what we need to do more of: save for retirement. That is why it has such a long history of bipartisan support. It also is why it is a very good part of this conference report.

I would think people on the other side of the aisle would be ashamed of damaging the very good image Senator Bentsen had as a U.S. Senator, as a Democrat, as chairman of the Finance Committee. Why don't they honor his reputation as a Senator and vote for provisions he had that are in this conference report rather than being so partisan?

Mr. President, my friend from Montana referred to a report published by Federal Reserve staff, and I would like to make a few comments on that.

The report compares U.S. and European stock values during brief periods of time before and after the lower rates were announced in late 2002 and enacted in 2003. Since U.S. and European stock values moved together, the report concludes that the lower rates had no effect on the aggregate market value of U.S. stocks.

The report was written by members of the Federal Reserve staff. It does not represent the views of the Federal Reserve itself. In fact, Chairman Alan Greenspan has repeatedly testified before the Congress that lower rates on dividends and capital gains represents good tax policy, and Ben Bernanke has cautioned that not extending the rates soon could negatively impact the economy.

I am not an economist, but it seems to me that the analysis of these Fed staffers is overly simplistic for at least four reasons:

First, the analysis covers a very short period of time—2 months surrounding the President's proposal in January 2003 and 4 months surrounding enactment of the reduced rates in May 2003. Looking at such a short period of time, the Fed staffers only tried to determine if the news of the tax cut had an effect on the U.S. market. Now, I am a believer in the efficient capital markets theory to some degree, but it can't be that simple. Surely, the broader, longer term benefits of these lower rates on the economy should be considered more than simply the news of their enactment.

Second, the analysis essentially assumes away all other factors during that short period of time could affect U.S. markets and European markets differently. It is hard for me to understand how this assumption could be valid. If that was true, then why would anyone consider investing in European stocks as a diversification strategy?

There is a multitude of factors that would seem to affect the U.S. and European markets differently, given how complex the U.S. and European economies are. The Wall Street Journal article that described this report noted a few things that ''might have contributed to a rise in European stocks or a drop in the U.S. market during the review periods'':

In the U.S., some companies reported weaker than expected earnings, while some European firms reported strong earnings;

There was a terrorist bombing in Saudi Arabia that ''rattled'' the U.S. market;

There were concerns about the weak dollar.

Third, the analysis assumes that the impending war in Iraq would affect U.S. and European stocks equally. Again, I am not an economist, but I find this assumption hard to believe.

Fourth, the Fed staffers' analysis does nothing to convince me that taxing something less doesn't make it worth more. It is common sense that people value assets based on how much those assets put in their pockets on an after-tax basis. So if the Government taxes certain investments less, it makes those investments worth more, relative to other investments. Of course, there are many other factors besides tax policy that affect investment value. But we should do what we can in terms of tax policy to promote economic growth.

The Wall Street article concludes with a quote from Michael Thompson, director of research at Thomson Financial, that ''attributing stock market gains to one isolated factor risks being 'intellectually dishonest' ''. It would be just as intellectually dishonest to point at this simplistic study as a reason to raise taxes on dividends and capital gains.

Mr. President, my friend from Montana criticized the charts I showed earlier that showed how lower income taxpayers, relative to their tax burden, have more at risk than higher income taxpayers. In light of Senator BAUCUS' criticism of those charts, I want to go into detail regarding how the statistics were calculated by my Finance Committee staff.

To get a clear picture of the relative benefits of this tax policy, I have taken another step in the distributional analysis.

I looked at the size of the tax benefits in relation to the total tax liabilities that these taxpayers bear.

The results of this analysis show that, among taxpayers who benefit from this tax policy, those with less than $50,000 of AGI benefit more from this tax policy, especially when the lower income tax rate drops from 5 percent to zero percent.

According to the JCT data, 6.3 million tax returns with adjusted gross income of less than $50,000 benefited from the reduced tax rates on dividends.

The aggregate total income tax liability of these taxpayers was $12.4 billion, which is an average of $1,968 per tax return.

In 2005, the lower tax rates on dividends saved these taxpayers $600 million in the aggregate at an average of $95 per return.

In 2008, if we assume the same data, the elimination of dividend taxes for lower income families will save them an additional $350 million, which is an average of $56 per return.

In total, this tax policy will save $950 million, or an average of $151 per tax return.

That produces a savings of 7.6 percent for these taxpayers.

Tax returns with more than $200,000 in adjusted gross income would save $6.5 billion in the aggregate, or an average of $2,964.

These numbers, of course, are much bigger than the savings numbers for the less than $50,000 of AGI category. But these numbers represent only 2.2 percent of this group's total tax liability.

The estimates for capital gains show that 3.6 million tax returns with under $50,000 of AGI will report a savings of $680 million from lower tax rates on capital gains, or an average of $189 each, producing a 10.2-percent tax savings.

Those with $200,000 or more in AGI will save $13.7 billion in the aggregate or $11,421 each on average. To be sure, these dollar numbers are much higher than the less than $50,000 group, but as a percentage of total tax liability, it is only 7.6 percent, lower than the savings of the less than $50,000 group.

And what about seniors?

2.4 million tax returns filed by seniors with adjusted gross income of less than $50,000 benefited from the reduced tax rates on dividends.

The aggregate total income tax liability of these taxpayers was $4.4 billion, which is an average of $1,833 per tax return.

In 2005, the lower tax rates on dividends saved these seniors $500 million in the aggregate at an average of $208 per return.

In 2008, if we assume the same data, the elimination of dividend taxes for lower income seniors will save them an additional $250 million, which is an average of $104 per return.

In total, this tax policy will save seniors $750 million or an average of $312 per tax return.

That produces a savings of 17.1 percent for these taxpayers.

Four hundred thousand tax returns for seniors with more than $200,000 in adjusted gross income would save

$2.7 billion in the aggregate, or an average of $6,775 each, representing a 5.7-percent savings.

The estimates for capital gains show that 1.5 million tax returns will be filed by seniors with under $50,000 of AGI, reporting a savings of $305 million from lower tax rates on capital gains or an average of $204, producing a 13.2-percent tax saving.

Seniors with $200,000 or more in AGI will save almost 3.8 billion in the aggregate or $12,633 on average representing a 10-percent savings.

Now, I have a couple charts that summarize the tax savings as a percentage of total income tax liability across AGI levels.

This chart illustrates the relative savings from reduced dividend taxes across AGI levels.

Opponents of this policy want to persecute these taxpayers by taking back their 2.2 percent savings.

But at the same time they will punish these taxpayers by taking away their 7.6 percent savings.

And they will punish these seniors by taking away their 17.1 percent savings.

This chart illustrates the relative savings from reduced capital gains taxes across AGI levels.

Opponents of this policy want to persecute these taxpayers by taking back their 7.6 percent savings.

But at the same time they will punish these taxpayers by taking away their 10.2 percent savings.

And they will punish these seniors by taking away their 13.2 percent savings.

As this data shows, the tax policy enacted by Congress in 2003 to lower taxes on dividends and capital gains has provided meaningful benefits to taxpayers across the income spectrum, not just the rich.

In fact, lower income taxpayers will save more than higher income taxpayers when measured as a percentage of total tax liability.

These lower rates have allowed millions of taxpayers to keep more money in their pockets to spend or add to their savings through reinvestment in the economy, rather than give it to the Federal Government to spend.

I yield the floor.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. DEMINT. Mr. President, I am so appreciative of Senator GRASSLEY coming to the floor to set the record straight. It is so difficult to sit back in our offices and watch the debate and hear our Democratic colleagues distort so many facts. I would like to straighten out a little bit of the record myself. Unfortunately, the Wall Street Journal this week, along with a lot of other publications, has also tried to set the record straight.

I hear my Democratic colleagues saying the President and the tax package has been a great benefit to the wealthy and hurt the poor. But since the tax cuts of 2001 and 2003, the tax burden has actually shifted more to the wealthy. The percentage of Federal taxes paid by those with incomes of $200,000 and above has risen 40.5 percent to 46.6 percent. In fact, today, out of 100 Americans, the wealthiest 3 are now paying close to the same amount, about half of the total taxes as the other 97 Americans.

We have shifted the tax burden more to the wealthy. The richest income group pays the largest share of tax burden than at any time in the last 30 years, with the exception of the late 1990s. The record is clear.

The record is also clear that this tax package and economic growth package is not for the rich. It is for the people who need jobs in this country. It is for the little guys, the 5 million people who have gotten jobs because of our economic growth.

Those who say this tax cut is increasing the deficit need to look at the expanded tax revenues last month alone, the second highest tax revenue in history because of this economic boom.

Those who are focusing on this tax rescission package and saying we should not be keeping the tax rate the same low rate for capital gains and dividends need to know that half of Americans now own stocks. They are savers and investors. Our goal as a nation should be to try to make every American a saver and investor. In fact, if some of the Democrats had voted with us just a few weeks ago, we could have stopped spending the Social Security retirement funds of Americans and made every American a saver and investor. The number of people owning stocks in America has risen, more than doubled since 1983 when it was about 40 million, and now it is over 90 million, and we have seen incredible growth.

My colleagues also need to know the statistics of those who do own stock. They are not just rich Americans; they are retired Americans. They are people with incomes below $50,000, about a third of them below $50,000. So the facts just need to be straightened out.

I think we also need to take our Democratic colleagues to task on things they have said about this economic package and what the real facts are.

This chart shows a Democratic contention here that the Republican budget will undermine potential GDP and hurt economic growth. You can go back to 2001 when the first package passed and see the GDP growth consistent over the years. We can also go to a quote Democrats had on this floor which said: ''The President has put us on a fiscal course that means lower employment.'' Here we see from this chart that employment continues to go up in this country.

Let's put up a couple more charts quickly. The Democrats said the Republican budget will crowd out private sector investment. But since these tax cuts took effect, private sector investment has grown at one of the fastest rates in recent years.

Another quote from the Democrats: ''The Republican budget will raise equilibrium real estate rates.'' The interest rates have continued to fall with the housing boom across the country. Ownership has grown.

The facts are, frankly, indisputable. I agree with Senator GRASSLEY. It is a shame for folks to come down and distort the reality of what is happening and what we are doing to help the American people at every level. One out of every two households in America is earning stock, and allowing them to keep more of what they are earning through those stocks only makes common sense.

Mr. President, I yield to Senator LOTT, who I think would like to continue to set the record straight.

The PRESIDING OFFICER. The Senator from Mississippi is recognized.

Mr. LOTT. Mr. President, I ask unanimous consent to get an agreement for the lineup of speakers over the next several minutes. It has been cleared by both managers here in the Senate.

I ask unanimous consent that the next speakers come up in this order: Since Senator DEMINT has finished, next would be 5 minutes for Senator HUTCHISON, to be followed by 15 minutes for Senator SCHUMER, to be followed by 10 minutes for myself, followed by 15 minutes for Senator WYDEN after I finish speaking, and then Senator ENZI would come next, to be followed by Senator BOXER for 5 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. LOTT. We did not indicate a time amount for Senator ENZI. We were not able to confirm exactly how much time he would need. I think part of it would depend on how the rest of the time goes.

Mr. President, on behalf of hardworking American people, I am pleased to rise today in support of picking up this very important Tax Increase Prevention Act. I have been looking forward to this for almost a year now, and finally we have reached the magic moment. I believe we are waiting for Senator HUTCHISON to arrive. While she is on her way, let me just put in the RECORD at this point the timeline of what has transpired.

First of all, the tax reconciliation legislation passed the Senate Finance Committee on November 15, 2005. The Senate then passed the tax reconciliation bill 64 to 33, a very strong bipartisan vote. On December 8, 2005, the House passed the bill 234 to 197.

Along the way, there were many hurdles thrown up, delays, and obstruction. In fact, instead of going to conference, because of the fact that the Senate had acted first, we actually had to bring it back to the floor of the Senate and go through the process again.

On February 2 of this year, 2006, the Senate repassed the tax reconciliation bill by a vote of 66 to 31, again bipartisan, actually an increased number. Then on February 14, the Senate completed action on the debate, 10 hours of motions to instruct conferees with a mini vote-arama. But we completed our work, and conferees were appointed on February 18. Now here we are with a conference report and a bill that clearly is needed to prevent a tax increase on working Americans.

I just wanted to get the timeline in the RECORD, and then I will have some further comments, following the next two speakers, about the substance. At this time, I believe we are lined up for Senator HUTCHISON for 5 minutes.

The PRESIDING OFFICER. The Senator from Texas is recognized for 5 minutes.

Mrs. HUTCHISON. Mr. President, I appreciate the opportunity to speak on this very important legislation. I thank Senator GRASSLEY and Senator BAUCUS for bringing us this bill. It was hard-fought. Tax cuts always are. There are always those who will say: Oh, this only helps the rich. There are always those who will say: This is going to increase the deficit. Let's talk about what this bill in fact does.

This is a bill which will continue the tax cuts we passed in 2001 and 2003, the tax cuts that have spurred the growth in our economy, that have created jobs, the tax cuts that caused the stock market to immediately turn from being stagnant or worse to being on the brink of record highs for the history of the stock market. If we don't pass the extensions that are in the bill before us today, it would be like telling Wall Street and telling the investors: We are going to increase your taxes; we are reserving that right. That would immediately put a freeze on this economy, and it would stop the incredible prosperity we are seeing in our economy today.

We can look at what has happened to our economy since September 11, 2001, when our tourism industry was severely impacted and our entire airline industry was shut down. Commerce was affected. We had a huge hit to our economy in 2001. Then we have had the war on terror, trying to keep terrorists who attacked our country in 2001 from being able to come back and hurt Americans again, and that has caused us to have to spend billions of dollars more. Then we were hit with Katrina, the worst hurricane in dollar damage in the history of our country, and Rita following that. We have had huge hits on our economy. Now we have gasoline prices and energy prices that are going through the roof. But our economy is strong. Our economy is strong for several reasons, one of which is that we have kept taxes low, particularly on dividends and capital gains.

So when someone says these are tax cuts for the rich, the fact is these are tax cuts for small business. These are tax cuts which have allowed them to start hiring people again and have spurred our economy to new highs. With this bill, we will prevent the egregious reach of the alternative minimum tax on our middle class by extending the higher exemption levels we approved last year. We also make an incredible investment incentive for the younger people in our country with the ability to convert Traditional IRAs to Roth IRAs.

If I were only 35 years old, I would be so excited because I would know that under the provisions of this bill I could provide for my own retirement security through the use of the Roth IRA. The Roth IRA has been limited in use with a salary cap of $100,000 for conversions. If you make more than that, you can not convert from a Traditional IRA to a Roth IRA, which allows you to put money in and then earn interest tax free until your retirement, and you can take it out tax free. That is a nest egg which could make every American self-sufficient because you can just put in the $3,000 or $4,000 every year, and once it is in there it is tax free, expanding its scope, interest rates going back into the pot, and then you can take it out without paying taxes. The traditional IRAs are not that way; you do have to pay taxes. This bill allows people who have started a Traditional IRA to convert it to a Roth IRA without income limitations. That is going to help the young people of our country because any of them, if they are working or if they are married, will be able to do this.

Tax cuts have created 5 million new jobs since they were last passed in 2003.

Mr. President, I hope we will pass this bill. It is a good bill for our country, a good bill for our economy, and it is going to put money in the pockets of the people who are earning it instead of sending it to the Federal Government.

The PRESIDING OFFICER. The Senator from New York is recognized.

Mr. SCHUMER. Mr. President, I ask unanimous consent that I be ceded 15 minutes from our side's time.

The PRESIDING OFFICER. The Senator is already recognized under the previous unanimous consent agreement for 15 minutes.

Mr. SCHUMER. Mr. President, everyone here knows we are going to vote on a $70 billion reconciliation bill later today, and it is far different from the bipartisan bill that originally passed the Senate. I would like all of America to please pay attention to this bill because if anything ever showed the differences between the two parties, this is it. We want to help the middle class; they want to help the richest people in America who are doing very well already. That is the fundamental difference between the bill that left the Senate with bipartisan support and the new bill that is coming back.

My good friend from Texas said: Help the people who earn it. Far too much of this bill goes to the people who make over $1 million a year; far too much. If there were no harm to the middle class, that would be great. But too many provisions that affect the middle class are hurt, and the one that I am going to focus on is one of the best provisions we have passed under this new President, and that is making tuition tax deductible for people whose incomes go up to about $150,000. That is gone. That is not extended for 1 new year or 2 new years; it is gone. And in its place are tax benefits for the wealthy and, worst of all, the removal of $5.1 billion of tax increases on the oil companies which are making record profits. No one likes to tax anybody, but I ask America: Oil companies or middle-class students? Whom do you pick? The leadership, the Republicans, and the President chose the oil companies. Democrats choose middle-class students struggling for college.

It is not just this issue. That is a metaphor for why Americans are looking for change. That is a metaphor for what they finally understand—that the trickle-down economics, which gives the overwhelming benefit of the tax cuts to the wealthy with a few crumbs for the middle class, doesn't work anymore.

Politics is a tough and tricky business, but sometimes you get handed an issue that is so crystal-clear, you want to make sure everybody knows about it. And this tax bill so perfectly shows the Republican majority's misplaced priorities that I think the American people are going to see it the way most of my colleagues and I see it. This bill shows the true colors of the Republican Party, which is far more interested in helping the very wealthy—God bless them—than hard-working middle-class Americans.

Make no mistake about it. There is a choice. There is a choice. You can't do both. And when people on the other side of the aisle, whether they are up for reelection this year or not, vote against our proposals and vote for this tax bill, they will be taking away from the middle class one of the best benefits we have given the middle class in recent years.

Let me talk a little bit about this issue. Several months ago, the Senate passed its version of the tax bill with 66 votes, 17 Democrats, myself among them. Our bill contained AMT relief, which this bill does, but it also contained college tuition. The extender package, including a 4-year extension of college tuition deductibility, which I was proud to author, was in the Senate bill, but because, again, the White House, the House leadership, and Senate leadership said: No, no, no, big oil comes above middle class students, it is gone. To refresh everyone's memory, since our Republican conferees seem to have forgotten, the 2001 tax cut contained a provision that made college tuition deductible for the first time. The deduction, modeled on a bill I championed with Senators SNOWE, BIDEN, SMITH, BAYH, and DURBIN—bipartisan—allowed middle-class families to deduct $3,000 from their tax return and that deduction was raised to $4,000 a year in 2004.

Last year, single filers who made up to $65,000 and joint filers with income up to $130,000 qualified for the full deduction, and there was also a smaller $2,000 deduction for those with higher incomes.

For the first time, the middle class would get some relief. You know, we help the poor go to college. We help the working poor go to college with Federal grants. That is a great thing. But in every one of our States, middle-class people came to us and said: What about us? I may make $70,000 or $80,000 or $90,000 a year, but I can't afford tuition. We finally came to their aid. It is gone. It is gone because the other side wanted to extend tax cuts that are already there in the outyears for capital gains and dividends.

I am all for reducing the tax on capital gains and dividends, but it is there already. And the cavalier attitude—do something for 2009 and 2010 and take away something from the middle class this year—again, bespeaks volumes as to why the American people are turning away from the majority and the President and turning to us. I have consistently worked with my colleagues to try to expand the deduction. But as I said, this deduction is not in the report.

The conference report is also interesting for what it includes that was not in the Senate version, as I mentioned: the 2003 tax cuts on dividends and capital gains for those earning $1 million a year. We did not include those in the Senate version because the Senate believed that those tax cuts that have already expired, such as the tuition deduction, should take priority over tax cuts that are not scheduled to expire for 3 more years.

I offered a resolution with Senator MENENDEZ, a sense of the Senate, and got 73 votes. There will probably be 20 people who voted for that resolution saying support college tuition, not extend dividend and interest income deductions which go to the very wealthy, that are already on the books, and they are going to flip-flop when they vote for this bill.

Some of my other colleagues are going to speak of the distributional inequities, but I want to speak of the real choices we have with tuition, even assuming that it was a good idea to extend the capital gains and dividends tax cut. As I said, I believe that those taxes should be reduced. I do believe they create growth. But there was another alternative, because in the Senate bill was $5.1 billion which changed the accounting and created revenues from big oil. Again, that was taken out. If it had been kept in, we could have had the dividend cut, we could have had the capital gains cut, we could have had the AMT cut, and we could have saved the tuition deductibility for middle-class students.

So the choice was clear: Big oil or middle-class students. The other party couldn't help itself. They had to side with big oil. That they are going to live with, certainly, through the 2006 elections.

Do you think half of America would choose big oil over college student tax deductions? Do you think a quarter of America would choose that? Do you think 5 percent of America would choose that? Absolutely not. But as in the past, my colleagues on the other side of the aisle think they are insulated from the argument. They think by saying ''tax cuts,'' no one can show which tax cuts they have chosen over others. It is not true anymore. The tuition deductibility is a tax cut just like the other tax cuts in this bill, and it is not there anymore.

The oil provisions should have stayed in. The first related to an accounting method that the oil companies use. Along with Senator SNOWE, I added a provision that disallowed the oil companies from using LIFO, which means when the costs of your inputs are rising—in other words, the price of oil—using LIFO allows the oil companies to make their income appear lower than it is so they pay less tax; and oil costs are rising. So this would have simply restored some equity and made sure they paid a fair amount of tax. But the President and the Republican leadership hated this one because they have to protect big oil above the interests of middle-class students.

The Senate passed our provisions with 66 votes, and I suppose the conferees thought that in the dark of night they could put them back.

There was a third provision added by my colleague from Oregon, Senator WYDEN, in addition to the two that I offered—one with LIFO and one with profits they make overseas. They didn't put that one back either. President Bush actually spoke out against it a few weeks ago.

So the bottom line is simple, and there is an amazing coincidence. What was the cost of the oil tax breaks? It was $5.1 billion. What would be the cost of extending tuition deductibility for 3 years to middle-class people? It would be $5.1 billion.

America, whom do you choose? If you choose big oil, continue to vote for the other side. If you choose students, vote for us. This bill could have had the exact same provisions in it with all of the arguments made by others about needing the capital gains and dividends tax cuts, if simply the other side had the guts to tell big oil you are still going to make record profits, but we are not going to allow you this extra $5.1 billion. Instead, they are telling hard-working, middle-class families who are struggling to pay tuition: Tough luck. The oil companies come first.

This is a sad day for the middle class. It is a sad day for those of us who know that a college education is crucial for the future for America to stay No. 1. It is a sad day when this Senate turns its back on the interests of others. The Republican majority will try to spin this bill as a boon to the middle class. The facts show it is not true, and we are not going to let them get away with it anymore. Democrats are not afraid to face these issues because we know there are choices. When we convey the choices to the American people, we are confident they will decide we need new leadership in Congress and the White House. We need change. Because a party that once heralded itself as friends of the middle class has turned its back on that middle class for the special interests.

I yield the floor.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. LOTT. Mr. President, I am delighted to be here and be able to respond to some of the comments we heard from the Senator from New York. I do agree with him—up to a point. I agree that this bill shows the stark differences between the two parties. One is for tax increases, that is the Democrats, and one is for preventing tax increases and supporting tax relief for all Americans—working Americans, middle-class Americans, and seniors who depend on dividends and capital gains to be able to support themselves in their retirement.

My colleagues on the other side often say: Oh, yes, we are for middle-class tax cuts. But, in fact, when they get a chance to vote on them, they almost always vote against them, or at least the majority of them. Yes, this is a good example of the difference in the two parties. As a matter of fact, the Senator from New York knows quite well that we are going to have a follow-on tax bill that is very close to being completed, and it has already been announced by the distinguished chairman of the Finance Committee that it will include the relief for college students paying tuition. We are going to have that. It is almost as if he thinks that because it is not in this reconciliation tax increase prevention bill, it is gone, it will not happen. I will tell you right here and now, it will happen. It will happen soon. I have the press release from Senator GRASSLEY, announcing that has already been agreed to.

I do find it interesting, too, that Senator SCHUMER, while he talks about how wonderful this tuition tax deduction is, when it was first passed in the bipartisan 2001 tax bill, he voted no. He voted no on the bill that had it in there. Now it is the most wonderful thing he has ever seen.

You know, there is a little positioning going on, on both sides. I understand that. But I think we need to look at the substance of what we are dealing with and what the impact is going to be. I do want to emphasize this point again, too. Our senior citizens are very dependent on the income they get from capital gains and also from dividends. If we allow the tax on that to go way up, back to where it was, they will feel it as much or more than anybody. So we need to be sure that we know what the true impact is going to be if we do not stop these tax increases from occurring.

With regard to the oil provisions, no final decision has been made on that. That will be considered and will be a part of the next bill, frankly. I think some of those provisions that were in the earlier bill should stay in there, personally, but we are going to work through that. But I want to go over some questions and some details of what is in the bill. I wonder, do the Democrats oppose the centerpiece of the bill, which is a $34 billion provision to ensure that the alternative minimum tax does not hit more than 15 million middle-income families this year? I thought this was something they felt passionately about. You know, we have to take action to stop the unintended consequences of the alternative minimum tax, AMT—$34 billion. This is only a $70 billion bill, and about half of it would go, clearly, to these middle-income people.

Do they oppose exempting Americans with incomes up to $62,550 from the onerous AMT? Do they oppose quadrupling small business expensing, which allows small businesses to write off up to $100,000 a year in the cost of new equipment?

There are two provisions there that, combined, take over half the bill, that clearly help middle-income taxpayers avoid the AMT and help small businesses that keep creating the jobs and moving the economy.

It prevents a tax increase for small businesses of over $7 billion from being foisted on this very important part of our economy.

What do they oppose? Do they oppose the progrowth policy of taxing capital gains and dividends at 15 percent? Or at 5 percent—get this now—5 percent for individuals in the 10- or 15-percent tax brackets? If we don't stop these tax increases, you are going to see a significant tax increase for individuals in the 10- and 15-percent tax brackets. Do they oppose that?

Contrary to the Democratic mantra, these tax cuts affect individuals at every income level. If anybody accuses my State, after being devastated by Hurricane Katrina, of being a wealthy State—we are trying to join the Union and move up in our economic status. Yet, in my home State, over 150,000 taxpayers will see a tax increase if we don't extend the 15-percent tax rate on dividends. Nearly 120,000 taxpayers will face a tax increase if we don't extend the rate on capital gains.

That is IRS data. That is not something I put together with a pencil and a piece of paper.

The average tax increase will be nearly $200 per person per year. That is significant.

I was explaining to my own daughter this very morning about how this bill is important to her. She doesn't have a lot of capital gains. She has some dividends—not much but she is in that category which is significantly impacted by the AMT if we don't pass this bill.

I understand. I guess it is a political season and taking positions.

I don't believe Democrats oppose anything in this bill. In fact, the Senator from New York said: Well, yes, many people I guess in New York are concerned about the impact of a tax increase on capital gains and dividends. It is just that he doesn't like this one. If not this, what? If not now, when? This needs to be done. What has been the impact of these tax cuts? The economy has continued to grow astronomically in spite of all the major cataclysmic events we have been dealing with; creating jobs; the American dream at the highest it has ever been; and the number of American people who own their homes. Almost 70 percent of Americans own their homes. Yet we clearly show from the nonpartisan Congressional Budget Office that we have had a greatly higher unanticipated increase in the revenue from capital gains than we would have had otherwise.

Do we want to kill the goose that laid the golden egg?

I don't understand why the American people are still not aware that there are so many goods things happening in the economy. Unemployment is at 4.7 percent, which is caused by 5 million new jobs being created since 2003. The gross domestic product is 4.8 percent—I was astounded by that growth—in the last quarter. Overall, household wealth is at an all-time high, reaching $51.1 trillion. Income is rising, and inflation remains in check. Lastly, but perhaps most critically, Federal revenues grew by 14 percent in 2005, reaching a record $2.15 trillion.

The problem with the deficit is not insufficient revenue. It is coming in. It is coming in because Presidents and Members of Congress—Presidents such as Kennedy and Reagan—knew that if you cut taxes in the right way, you get important revenue. There are those who still want to deny that, but history and the statistics speak for themselves.

I think this is a good bill. It is a relatively narrow bill in terms of portions included in it. We only have about five major things, and a few little smaller points included in this bill. We are not finished. We are going to have the follow-on bill. I want to keep the economy growing. I want to do the right thing. This is the right thing to do.

I am delighted to be here to speak in behalf of this legislation and to explain what is in it and to question some of the allegations that are being made about what is in it or what is not in it. This is good for the American people because it will be good for the American economy.

I don't understand this class warfare stuff that is always going on. If you cut taxes for people who actually pay taxes, you automatically get less. When are we ever going to grow up and get over that?

I think it is good legislation. I am pleased to be here and support it. I urge my colleagues to vote for it. It will pass, and we will go to the follow-on bill which will have a number of other very important provisions, and perhaps it will be part of what we do with regard to guaranteeing people's security and their pensions for the future, also.

I do not know if I have any time remaining. If I don't, I yield the floor.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. WYDEN. Mr. President, before he leaves the floor, I wish to say to the distinguished Senator from Mississippi that I am certainly not interested in class warfare. But what I am interested in is giving all Americans a fair chance to accumulate wealth. This legislation doesn't do that, and that is why I am opposed to it.

My sense is that everybody in our country wants to do well. Everybody aspires to be well off. Everybody wants to be able to get ahead. Yet that is not possible in many respects because of our Tax Code.

The American people just finished the annual ordeal of doing their taxes. This spring, Warren Buffet, the second wealthiest person in the United States, paid a lower tax rate than his receptionist. But under this bill, that receptionist isn't going to get much of anything.

Senator LOTT made a point with respect to the next tax bill. We are going to have another bill, Senator LOTT said. But the bottom line is the oil companies get their boost in this bill today. What Senator LOTT and others have said is maybe sometime down the road we will start talking about middle-class folks.

I think we have to give everybody in this country the chance to accumulate wealth. We have to do more than hand out gusher giveaways to a fortunate few.

That is why I have introduced the Fair Flat Tax Act that gives everybody in our country the opportunity to accumulate wealth.

So we are clear on this oil issue, I want the Senate to understand some of the history of it.

On November 9, 2005, the CEOs of the major oil companies came to a joint Senate hearing of the Energy and Commerce Committees. I asked them then—it had never been asked in a public forum—whether they agreed with the President's statement that ''with $55 oil we don't need incentives for oil and gas companies to explore.'' The CEOs of ExxonMobil, Chevron, Conoco, Phillips, and BP-Shell for the first time agreed that the tax breaks which had been provided in the Energy bill weren't necessary.

Having heard that statement, I said I want to begin, on a bipartisan basis, to start working with colleagues in the Finance Committee to scale back these tax breaks that, to his credit, the President of the United States said aren't even necessary. I began to work with the distinguished Senator from Montana, Senator BAUCUS, and the Chair of our committee, Senator GRASSLEY, to try to start rolling back those tax breaks. It was a very modest step that was taken. Our committee repealed one of the tax breaks that dealt with what are called geological and geophysical drilling expenses. But we got it passed, and for the first time in 20 years, the Senate Finance Committee—I think Senator LOTT was even there that day—a tax break that the oil companies had gotten was taken away. Repealing that tax break would have saved about $1 billion. It certainly is not everything that is needed to deal with these exploding deficits but a solid step in the right direction.

You then have a conference between the Senate and the House. At a time of record profits, at a time of record prices, this bipartisan amendment to make a modest reduction in the kind of tax breaks that the President said are not needed when oil is over $55 a barrel pretty much disappeared. It was cut by more than 50 percent.

I say to my good friend from Mississippi that I can't accept a double standard where the oil companies get their tax breaks today—they get them right now—and yet, the Senate will come back and maybe sometime down the road start talking about relief for the middle class.

I want to work with the Senator from Mississippi. He and I have worked together on many occasions. That was why I felt that the bipartisan agreement I got in the original Senate bill was so important. But what I can't accept is a double standard, where you have the gusher giveaways today on the oil side and then we hear—as we heard on the floor of the Senate—we will come back with another bill at a another time and maybe at that point we can talk about tax relief for middle-class folks.

Another comment was made that I want to highlight about former President Ronald Reagan who, of course, is revered and respected by all. The last thing President Reagan did, to his credit, in the tax area is he worked with colleagues on both sides of the aisle, with former Senator from New Jersey, Bill Bradley; the former chair of the Ways and Mean Committee in the House, Dan Rostenkowski, on overhauling the Tax Code.

One of the steps that they agreed on is we were not going to hit the cops who walk the beat with a higher tax rate than somebody who is out investing, say, in Google stock.

We had a bipartisan agreement back in 1986 that we weren't going to discriminate against wages. We weren't in this country going to say that the people who work hard and play by the rules and make their money from wages are going to get hammered.

What the Senator from Mississippi said I found very interesting with respect to Ronald Reagan because what Ronald Reagan embraced in 1986 is exactly what I am calling for in my Fair Flat Tax Act. That is an approach that says we are in it together. We are all going to be able to accumulate wealth. Everybody is going to have a chance to get ahead. Everybody who aspires for a better life for themselves and their families would have an opportunity to do it under the Fair Flat Tax Act.

They sure don't under this bill with those oil gusher giveaways right now.

We have been told that sometime in the future, we will come back to talk about middle-class folks, and we will have a discussion about their needs and what they hope for their families sometime. This is one other area where, again, I have a little bit of a difference of opinion with my friend from Mississippi. He has talked about the fact that corporate profits are up, revenue is coming in. Of course, we are glad to see all of that. But the reality today is this is the first time in decades when corporate profits are up and productivity is up—both trends we like to see—that middle-class people are seeing their wages stagnant. The middle-class folks are not enjoying the fruits of these benefits of additional revenue. Again, I want our corporations to do well. I want to see the incredible improvements in productivity. What I think every Member of the Senate ought to be talking about is that not all Americans are in a position to enjoy these developments. That is why any time when I go home and have a community meeting, almost all of the issues raised by my constituents have the second word ''bill.'' They ask about their gas bill or medical bill or mortgage bill or tax bill.

That is why I want to work with Senator LOTT on a bipartisan basis so that when we have an expansion of corporate profits, when we see an increase in productivity, the middle-class person can get ahead as well. We are not seeing that today.

In fact, the Federal Reserve said the other day that, for all practical purposes, over the last 5 years, the net worth of middle-class folks has hardly moved. What I want to do is what Ronald Reagan and Bill Bradley and others did back in 1986—make changes in the Tax Code so that everybody has the opportunity to accumulate wealth.

I wrote a bill, the Fair Flat Tax Act, which does that.

In fact, I am saying this to Senator LOTT because I would love having a chance to work with him.

I took the same brackets that Ronald Reagan did. I chose the exact same tax brackets that Ronald Reagan did for my Fair Flat Tax Act. It is an indication that if we can have a bipartisan effort, as we saw two decades ago before the 14,000 changes in the Tax Code since 1986, we could see once again Democrats and Republicans coming together to continue the trend toward expanded corporate profits and corporate productivity, but we would not be leaving the middle-class person behind.

That is what is so unfortunate about what has happened. My proposal allows us to save about $100 billion over the next 5 years. By contrast, the tax legislation before the Senate increases the deficit with more tax cuts that aren't paid for.

In terms of tax compliance, you can go to my web site, wyden.senate.com to see my simplified 1040. People at Money Magazine were able to complete this form in just 15 minutes. But this year, Americans spent more complying with the Tax Code than the government has spent on higher education. Is that what we want? Is that our vision of tax reform? I don't think so.

I think we want to build on the kind of bipartisan effort we had in 1986. We had a revered Republican President, Ronald Reagan, who has been cited on the floor today, coming together with Democrats in both the Senate and the House. We were able to do something that allowed us to grow the economy and also let middle-class folks get ahead.

Is it right that the cops who guard this wonderful institution pay a higher tax rate on their wages than Warren Buffett does as the second wealthiest person in our country? I don't want to soak anyone. I want everyone to be able to get ahead. I want everyone to be able to accumulate wealth.

What we have been told under this tax bill is that the oil companies get theirs today, but we will have some other day, some other time, some other opportunity to talk about the interests of the middle class. That is not fair to the people of this country. We have said we are all in it together. We should not have a double standard with the powerful getting theirs today and working families having to wait for another time. That is not right.

While we are, for example, putting a little patch on the alternative minimum tax in this legislation, and I am glad to see that—the crushing costs of this tax are not being addressed. My fair flat tax legislation abolishes the alternative minimum tax altogether. That is what we ought to do before we see this thing ramp up and up and up, engulfing millions of middle-class folks who end up having to pay their taxes twice.

I will wrap up with one last point. In this legislation, as we look at the tax cuts being offered in the bill to a fortunate few, we are seeing in the legislation that those who have crafted the bill are taking the very money Senator BAUCUS and I have sought in order to keep rural schools open, something Senator LOTT and a number of colleagues on the other side have been with us on a bipartisan basis. Senator BAUCUS and I asked, are we going to sell off hundreds of thousands of acres of our public lands in order to pay for the rural schools? We did not think that made any sense. So we said we are going to go to the drawing board. We are going to come up with an alternative. We did that. We said we were going to keep money from going to tax dodgers, make sure they paid what was owed, and to make sure the federal government honors our commitments to rural schools, rural schools in Oregon, in Mississippi, and all across the country.

It is possible, as Ronald Reagan and Democrats did in 1986, to make the Tax Code simpler, flatter, and fairer, and allow us to grow our economy and do right by the middle class. The legislation I have introduced, the Fair Flat Tax Act, is a starting point for the debate. We ought to understand, certainly on the Committee on Finance where I have the honor to serve with Senator LOTT, that there is a lot of give and take in a tax debate.

What I do know is the bill that the Senate will be voting on before too long does not give all Americans the opportunity to accumulate wealth. That is why I must oppose it.

I yield the floor.

Mr. LOTT. Mr. President, we had an order lined up. Senator ENZI cannot be here at this time so we have agreed to go with Senator BOXER, who is here. She is ready to proceed at this time. We have some other speakers who will be here momentarily and we will get this lined up.

I yield the floor.

The PRESIDING OFFICER. The Senator from California.

Mrs. BOXER. Mr. President, thank you very much.

Do I have a specific time associated with my remarks?

Mr. LOTT. We locked in 5 minutes.

Mrs. BOXER. Could I make it 8 minutes?

Mr. LOTT. I ask consent the Senator from California will be allowed to speak for 8 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. BOXER. Mr. President, when I look at the distribution chart showing who benefits from the bill before the Senate, my question is, whose side are we on, anyway? I hope the answer to that question is, the majority of the American people.

When we look at this chart, what we find is we are on the side of not even 1 percent of the American people. We are on the side of those earning over $1 million a year. That is who gets the benefits of this bill.

According to The Urban Institute-Brookings Tax Policy Center, we see that the average tax cut of those over $1 million is $41,977 a year in this bill. The benefit of this tax break is essentially more than what some middle class Americans earn all year.

Then we have an additional number from the Center for Budget and Policy Priorities. Their chart shows if you earn over $1.6 million, this Republican tax bill will get you back $82,000 each and every year. Well, what is someone who earns, say, $40,000 getting back? Forty-six dollars—not even enough in some cases to fill up a gas tank.

Whose side is this Republican Senate on? If this were a time when we did not have deficits and we did not have debt, it would be one thing. I still would oppose this bill. I would rather give the benefits to those in the middle. I would rather give the benefits to those who were struggling with the high cost of gas. I would rather give the benefits to those who are struggling to send their children to college.

By the way, in this particular bill, the college tuition tax deduction, so popular with middle-class families, was not included. The Republicans took it out in order to help the wealthiest Americans and, by the way, big oil. Big oil gets big tax breaks in this bill, $5 billion strong.

Here we have a circumstance where the millionaires and the oil companies win and middle-class America and working-class America, 99 percent plus, lose.

No wonder there is change in the air. People are saying, Enough is enough. Colleagues, we can say enough is enough today by voting down this ill-conceived, unfair bill that punishes most Americans, except for big oil and the very wealthiest few.

Yes, there is a one-year fix to the alternative minimum tax in here. For that, I am grateful. Yet, still, that good fix is far outweighed when you look at the distribution tables. You can see who gets the benefits. Twenty dollars for regular working and middle-class American families is the average tax cut; $20 a year, while people making over $1.6 million get up to $82,000 a year.

This is America. This country is great because we believe in our middle class. We know our working people are the engine of our economy and the pride of our Nation, yet we have a table that shows that the middle class is not only forgotten, they are made fools of in this bill.

Yes, there is a fix to the AMT. Good. Outside of that, we have a situation where those who have, get more; those who have a lot, get even more; and the oil companies that have been manipulating supply and hurting the American people get a tremendous amount.

That is how the tax break for big oil works.

See if you can follow me. They set the rules governing oil company profits so that if an oil company buys a lot of oil at a low price, say, $40 a barrel, and then they sell that oil at $70 a barrel, they get to pretend that they bought the oil at $70 too. You would think the difference between $40 and $70 would be their profit and what they would owe taxes on.

But under this bill, no, no, no. Their profits, and tax liabilities, are calculated on the price of oil on the day they sell the oil. So if they buy oil at $40 a barrel and sell it at $70, they do not pay any taxes on it because they are allowed to claim their costs are the same as their revenues—$70 a barrel. It is a giveaway to big oil, which is having the most unbelievable record profits, which we believe are manipulating supply, and which gives their CEOs a $400 million bonus package. This is what this Republican bill does. How they can even bring it to the Senate with a straight face is beyond me. But they have brought it to the Senate. I ask those moderate Republicans to join us and send a message that it is time to change. It is time to look at our middle-class families in California and all across this country and stand on their side—those struggling with the gas crisis, those struggling with health care, those struggling with college tuition.

This is a day when we ask the question, Whose side are we on? I hope the answer is, we are not on the side of the winners in this chart. The winners are the wealthiest among us and the oil companies.

Again, if this were a different time, if we did not have raging deficits, which we have had since this President took office, if we did not have a debt that is going so high that this Senate has to vote in the dead of night to raise the debt ceiling, if we were not in a terrible war that is killing our soldiers, with no end in sight and no plan in sight, that would be a different story, and we could say a rising tide lifts all boats, and we will give everyone a break. But those are not the times in which we live.

At the end of the day, the gimmicks that are used to pay for the tax breaks are just so many gimmicks because we know by putting the wealthiest in the Roth IRAs, there is an initial flush of money coming in, but at the end of the day the earnings in the Roth accounts are not taxable and will cost us billions of dollars in lost revenues. This bill will drive up our debt and deficits.

In closing, a recent NBC-Wall Street Journal poll asked Americans their top concerns. Do you think that Americans said, I want to give tax breaks to the oil companies? I want to give tax breaks to those earning $1.6 million a year? No, they said their top concerns were rising gas prices, Iran's nuclear ambitions, immigration, civil disorder in Iraq, the Bush administration leaking national security information, and Enron-style corruption.

What do we give them today, the American people? We give them everything they do not want, rewarding big oil and rewarding those who have not asked to be helped. They are doing fine. The people earning over $1.6 million a year are doing just fine.

We are giving the American people more deficits. We are giving them more debt. We are not helping middle-class families solve the problems of the raging costs of college tuition and the raging costs of gas prices. I hope we vote no on this bill. It is a bad bill.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. LOTT. Mr. President, as acting manager, let me get some agreement on time so Senators can plan accordingly. I ask unanimous consent the following Senators be able to speak in this order: Senator GREGG for 15 minutes; Senator FEINSTEIN to follow Senator GREGG for 15 minutes; Senator THOMAS is next, for 15 minutes; and Senator REED for 15 minutes.

Mrs. FEINSTEIN. Reserving the right to object, Mr. President, could I ask a question?

Mrs. BOXER. Could the Senator repeat that?

Mr. LOTT. Mr. President, I apologize for not having my microphone on earlier. We are trying to lock in the next three speakers. Senator GREGG will have the next 15 minutes, to be followed by the Senator from California for 15 minutes.

Mrs. BOXER. I thank the Senator.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The Senator from New Hampshire is recognized for 15 minutes.

Mr. GREGG. Mr. President, I appreciate the Senator from Mississippi granting me this time on this very important piece of legislation.

I want to pick up on the statement made by the junior Senator from California. What are we giving the American people? We are giving them jobs. We are giving them the opportunity to get good jobs in a thriving, growing economy as a result of good policy in the area of tax law.

We came out of an extraordinarily serious recession, the largest bubble in the history of the world, the Internet bubble—bigger than the tulip bubble, bigger than the South Seas bubble—which occurred at the beginning of 2000. It collapsed, which should have thrown us into a deep recession.

We followed that bubble with a huge disruption of our lives, the loss of human life, which was unbelievable and horrific, as a result of 9/11, but also it had a dramatic impact on our economy.

Those two factors alone should have led to a fairly significant, deep and painful recession. Why didn't they? They did not because this President and this Republican Congress put in place tax policy which allowed Americans who wanted to be entrepreneurial to go out and invest, take risk—which is the American way—and, as a result, create jobs.

The facts are incontrovertible. This chart shows it. This is the period during which we had the Internet bubble and the 9/11 attacks. In 2003, we reduced the taxes on productivity in this country and gave people an incentive to go out and earn more, take risk, and create jobs. As a result, we are seeing a dramatic increase in economic activity and in jobs.

Mr. President, 5.3 million jobs have been created since these tax cuts were put in place—5.3 million jobs in those 32 months. Look at this green line on the chart. Those are all new jobs coming into the economy as a result of the tax cuts. There has been a massive explosion in economic activity as a result of these tax cuts.

Now, the other side of the aisle will have you believe that the only people who benefited from these tax cuts were the wealthy. Well, all these people who got jobs benefited from these tax cuts. More importantly, the American Government benefitted from these tax cuts because our revenues have climbed dramatically as a result of these tax cuts.

The reason that has happened is because assets which had been locked up for years are now being used to create better investments and more productivity. In fact, revenues from income taxes have gone up by 10 percent. They have grown by 10 percent in the last 6 months. Revenues from corporate activity have gone up by 26 percent. This is all a function of putting in place tax rates which essentially said to Americans: You go out and invest. You go out and take risk. You go out and create jobs. And we will say we will benefit your efforts by giving you an incentive to do that.

Now, the essence of this whole effort is embedded in this tax bill, and that is the setting of a reasonable tax rate on capital gains and dividends. There is a psychology which is out there, which is human nature: If you say to a person: We are going to take 70 percent of your income, they are not going to have a lot of reason to go out and make an extra dollar because the Government is going to take their money. But if you say to someone: We are going to take 30 percent of your income, then that person has a bigger incentive to go out and work.

The same is true for capital investment. If you say to somebody, if you sell that asset you have, we are going to tax you at 30 percent, that person has very little incentive to go out and sell that asset. But if you say to that person, if you sell that asset, we are going to tax you at 15 percent, then that person has a reason to go out and sell that asset, and take that money and do two things. First, they reinvest it so it is being used more productively and generates more economic activity and probably creates more jobs, but, secondly, by selling that asset, they actually end up paying taxes, taxes which they did not otherwise and would not have otherwise paid.

If you own some stock or a piece of land or a farm or any asset which is a capital asset, you do not have to sell it, you do not have to generate tax revenue to the Federal Government. That is what was happening. A lot of people were sitting on those assets. But by cutting the capital gains rate, we essentially created an atmosphere out there where people started to turn over those assets. As a result of turning over those assets, they created more productivity in our economy.

In fact, we are now at the highest level of productivity that our economy has experienced in the post-World War II period. That additional productivity has created more jobs so that more Americans are working. Mr. President, 5.3 million more Americans are working than were working back in 2003 when these tax cuts began. Equally important, the revenues to the Federal Government have jumped dramatically.

In fact, they have jumped so dramatically in capital gains that they have outstripped the estimates by $30 billion each year over the last 2 years. The CBO had originally estimated that we would have about $49 billion of capital gains income in 2005. Well, we got $75 billion. They estimated, in 2006, we would have about $54 billion. We have gotten about $81 billion. That is $60 billion of new revenue that was generated by cutting the capital gains rate to something that was reasonable and caused people to go out an convert capital assets—whether it is stocks or land or businesses—convert those assets, sell them, pay taxes, and reinvest in a way which would actually create more jobs and more economic activity in the economy.

So this concept that cutting capital gains rates somehow benefits the rich cannot be defended on the facts. What it benefits is the American Treasury, the Government's Treasury. What it benefits are the people who have gotten all these jobs, these 5 million new jobs.

Now, another chart over there that was used by the other side said: Well, the tax benefit flows to the top 10 percent of the income brackets. Well, that is because the top 10 percent of the income brackets pay most of the taxes. In fact, if you have income over $185,000, that is where 65 percent of the taxes come from. Those are the folks with the highest income, those are the folks paying the most taxes. That is the way it should be. And now they are actually paying a lot more taxes than they were before this tax cut because they are generating activity which is taxable.

Before the tax cut, when capital gains was so high, they sat on it. But now, because there is an incentive for them to go out and convert those assets, they are actually paying more in taxes than they were paying before. So the argument that the high-end taxpayer, the high-end income individual is benefiting disproportionately from this simply flies in the face of the facts. They are paying more in taxes. More revenue is coming in from those people than ever before. And a higher percentage, in fact, of Federal revenues now comes from those individuals than ever before. And they are, most importantly—and this is the point that the other side seems to miss completely because they subscribe to the 1930s ''old left'' theory of economic policy—these people create jobs, and the bottom line is, good jobs.

That is what they are creating in our economy by going out and taking assets, which were locked down, which were in a less-productive atmosphere, and moving them over to assets which are more productive and creating more opportunity for people to generate jobs.

It always amazes me that this concept completely escapes our friends on the other side of the aisle. But this also translates into investment growth. It is ironic that both of these two charts show the exact same thing. And business investment has expanded dramatically. When did it begin to expand? In 2003, when we made these tax cuts. Job creation has expanded dramatically. When did it begin to expand? In 2003, when we made these tax cuts. These are not chance events. These increases in jobs and business activity are a direct function of the fact that we have created a fairer tax climate, where people are willing to be more aggressive, take more risk, be more entrepreneurial, and, as a result, create more jobs.

And to at this point take the position we should go back to the old tax rates, which would essentially double—double—we are not talking about a little bit. We are talking about doubling. The position of the other side of the aisle is, they want to double the tax rate on capital investment, on risk takers, on entrepreneurs, the people who create the jobs in our society.

To take that position now, in the middle of this recovery, which has been historic in nature, in that we are now at historic levels of productivity—we have had 32 months of expansion. We have more people working today in America than at any time in our history. To take the position we would put this huge, damp cloth on top of this economic expansion in the name of populous tax policy, which has been proved wrong over and over again, ever since it was conceived in the 1930s, as the way to generate revenues—back in the 1930s and 1940s, the policies of the left were that you generated more revenues by raising taxes dramatically. And we had a 90-percent tax rate at one point in this country. Then, we had a 70-percent tax rate in this country.

Then, along came a gentleman who, ironically, understood this did not work but, also ironically, came from the other side of the aisle. His name was John F. Kennedy. And he, as President, cut the tax rates because he believed the high tax rates were disincentivizing the American spirit to be productive. He cut rates. And what happened? Revenues went up. And all the people from the left said: Oh, my God, this can't be happening. This must be an aberration. It was not an aberration. It should have put a stake through the policies of the old left, but it did not.

So then along came Ronald Reagan, who said: Hey, it worked for John Kennedy. I will try it. He cut rates. And what happened? Revenues did not go down. They went up.

And then along came President Bush, and he said: John Kennedy and Ronald Reagan were right. The way you generate revenues is you create an incentive for economic activity, you create an incentive for people to go out and invest, and you create more jobs. More jobs translate into more taxpayers. As a result, you generate more revenues to the Federal Government. So he put in place his tax cuts in 2003.

The facts are incontrovertible. The numbers are coming in at a dramatic rate. We are seeing a 14-percent increase in revenues to the Federal Treasury. Last year, it was the largest single increase in our history in dollar terms; with 11 percent through the first 6 months of this year. It is probably going to be even higher before we finish the year.

The practical effect of this is these new revenues, these additional revenues have been generated by a lower tax rate, a fairer tax rate. And they are assisting us in reducing the deficit. In fact, the deficit is coming down precipitously as a result of these additional revenues. And people are getting more jobs because this economy is vibrant and strong as a result of these tax rates.

You would think after this approach to tax policy has been proven by three major initiatives by three Presidents, being from both parties, in three different decades, the other side of the aisle would look in the mirror in the morning and say: Listen, the policies of the 1930s and 1940s—which were taught to us as a result of the outgrowth of the theory that if you constantly raise taxes, you generate more revenues—those policies have been proven wrong. They have been proven wrong by President John Kennedy. They have been proven wrong by President Ronald Reagan. And they have been proven wrong by President George W. Bush.

Human nature tells you they are wrong. If you give a person a reason to go out and be productive by putting a lower tax burden on them, a fair tax burden—we are not saying no taxes, we are talking about a fair tax burden. It is obviously not a tax burden that is at zero because we actually have high-income individuals in this country actually paying more in taxes today than they did prior to the tax cuts, significantly more, and also they are bearing a larger percentage of the burden of taxes today than they did before the tax cuts. It is a fairer way to approach tax policy. As a result of that fairer way, you generate more income, more economic growth, and that leads to more jobs, which is the purpose of our efforts.

This bill is a critical piece of legislation.

The PRESIDING OFFICER (Ms. MURKOWSKI). The Senator has used 15 minutes.

Mr. GREGG. It is a critical piece of legislation that we should endorse, embrace, and recognize that by its passage, we will continue to give the American people the opportunity to be in a vibrant, growing economy where jobs will be created, not lost.

The PRESIDING OFFICER. The Senator from California.

Mrs. FEINSTEIN. I believe I am recognized for 15 minutes.

The PRESIDING OFFICER. The Senator is correct.

Mrs. FEINSTEIN. I thank the Chair.

Madam President, I don't think any single bill or issue more delineates the difference between the Democratic and Republican Parties today than this bill and the issues it contains.

I would like to respond to the Senator from New Hampshire. He talked about how good this was for job creation. Under the Clinton administration, 23 million new jobs were created. So far, 2.6 million jobs have been created under President Bush. Take a look at the difference between the two in jobs and also in debt. These are the early years of Clinton, up to 1997. Look at the blue. That is all surplus: $69 billion, $126 billion, $236 billion, $128 billion. These are the years under George Bush, the deficit: $158 billion, $378 billion, $412 billion, $318 billion, and $350 billion. So far, the tax cuts have cost $1.9 trillion.

I believe this conference report reflects misplaced priorities. It exacerbates an already serious deficit. It certainly exacerbates the national debt. And most importantly, it is certainly not equitable.

At a time when most American families are struggling to meet the rising cost of living, we should be taking constructive steps to provide targeted tax relief to those who need it most. We are not doing that. You would think this package of tax cuts might take steps to alleviate some of the financial strain. Instead, the bill offers no benefit to middle-class and low-income households. These provisions have been removed in favor of billions of dollars of additional tax cuts for the wealthiest Americans. Unfortunately, this conference report does not resemble the bill that left the Senate earlier.

Today, Americans deal with record gas prices. It is $3.40 a gallon in some areas in California. The conference committee chose not to require more from big oil companies, even as corporate profits hit a record $1.35 trillion last year, now accounting for the largest share of national income in 40 years. The conferees decided not to do anything to affect the oil companies, the special incentives and tax breaks they get. Instead, middle-class families were left to bear the brunt of these decisions.

Rather than providing millions of Americans with the necessary extended relief, the lion's share of this bill—$50 billion over the next 10 years—is devoted to extending reduced rates for capital gains and dividend tax breaks. I have never had anyone in the business community come up to me and say: You have to lower capital gains. What they have said to me is that it doesn't make much difference, certainly not dividend tax breaks. Unlike the AMT fix, these rates were not scheduled to expire this year or even the next. Why are we doing it now? We are doing it now only to make the future bleaker. More than 75 percent of the capital gains and dividend tax breaks have served Americans earning more than $200,000.

The Senator from New Hampshire says how great these are for the average person. No, they aren't. They are good for the very wealthy, for the individual who makes more than $200,000 a year. That is 75 percent of the benefit. The average millionaire will receive a $42,000 tax cut from capital gains and dividends alone in 2005. Meanwhile, the average taxpayer, earning less than $75,000—that is three quarters of the taxpayers—receives only $13. So three quarters of the tax-paying population of America receives only $13, while the individual earning over $200,000 has a huge tax break. This is unfair. It is irresponsible. It is not without consequences.

The Federal budget deficit will be at least $300 billion this year. The national debt is soaring. We have fewer resources available for critical domestic priorities.

Under President Clinton, we had 4 years of budget surplus. When he left office, we had a projected 10-year surplus of $5.6 trillion. What is interesting to me is, the two parties have switched. The Republicans are not the deficit hawks; the Democrats have become the deficit hawks. The Republicans have become the big spenders, and this bill clearly identifies that.

The economic policies of the last 5 years have produced a catastrophic turnaround. Record budget surpluses have given way to record deficits projected at $1.6 trillion over the next decade. The full impact of this administration's fiscal policies remains clouded. This President has broken with his predecessors by submitting only 5-year budgets. Why? Think about it, especially after we were presented with the traditional 10-year numbers during the President's first year in office. I will tell you why I think he is doing it, and that is to hide the fact that these tax cuts explode in the out years. They create enormous problems for the future. The result is a wall of debt.

Over the next 10 years, the debt is projected to reach $12 trillion. In this year alone, our national debt is slated to increase by $654 billion. More startling is the fact that the national debt is currently at 66 percent of our gross domestic product. I heard someone make a speech the other day and say it was 2 percent of GDP, "don't worry about it.'' So we went and got the CBO figures. It is 66 percent of GDP; worry about it.

The total debt equates to roughly $30,000 owned by every man, woman, and child in America. This is really troubling to anyone who runs a household or runs a business. You would have your house repossessed if you ran your books this way. You would lose your business if you ran your books this way.

When all costs are included, the tax breaks for the wealthiest Americans will cost almost $2 trillion over the next decade. When you combine the cost of the tax cuts with spending on the war in Iraq—currently totaling $370 billion—the inevitable result is the programs that matter most are squeezed.

Let me explain that. This chart takes 2 years, 2005 and 2015. It looks at everything the Federal Government spends. It is deceptive to look just at the budget. The budget does not reflect what we spend in entirety. The fact is, entitlements—Social Security, Medicare, Medicaid, veterans' benefits—are 53.5 percent of what the Federal Government spent in 2005. Interest on the debt alone was $184 billion. That is 7.4 percent. So 60.4 percent of everything the Federal Government spent in 2005 was not budgeted and cannot be controlled. What is left? Forty percent of total spending. There is 20.1 percent for defense—not likely to be cut much in view of the circumstances of the war on terror—and non-defense discretionary, which is everything else, at 18.9 percent of what the Federal Government spent in 2005. That is a fact.

So because the only thing you can cut is discretionary defense and other discretionary spending, these tax policies mean the only thing you can do is cut every program that matters to the American people. Fewer cops on the street, down 15,000. Every nutrition and supplemental aid to seniors is cut. Less for highways, interior, and agriculture. That is what you have to cut. That is it. And that is what these tax cuts, when they explode exponentially at the end of the 10-year period, will do. They will create an enormous problem for the future.

If you add interest on the debt and go to the year 2015, 70 percent of everything the Federal Government spends will not be controllable—it will increase 10 percent from 2005 to 70 percent in 2015. Defense discretionary will be reduced to 15 percent and non-defense discretionary to 13.7 percent. That is the projected inevitable trend of what we are doing here today.

Let me talk about some of the cuts: Food stamps for poor people, $272 million; COPS Program, $407 billion or 15,000 fewer officers nationwide; job training, $55 million. Education, the President's signature program, No Child Left Behind, will be underfunded this year by more than $12 billion, and $39 billion since it was enacted. That is the impact forced by passing a bill like this. No wonder people look at No Child Left Behind and say: ''Yes, we like the standards, yes, we want to strive for excellence, but you have to provide the money that was assured when the bill was signed.'' The fact is, it is $39 billion underfunded since that bill was signed.

So we are shortchanging our Nation, and it isn't worth the tax cut for millionaires. I have never had a millionaire—and I would defy any Member of this body to identify one—come before me and say: ''You know, I really need a tax cut. I really need that additional $140,000 a year these tax cuts provide for me.'' I challenge anyone to bring a name forward of someone who said that because I don't believe they need it at all.

I have supported tax cuts in the proper context. Let me tell what you that context is. It is a balanced budget and a projected surplus. That is the time to cut taxes for people, when you can say: ''We have balanced the budget and we are in surplus.'' That was true when the first tax cut went through. The budget was in surplus. The projected surplus was $5.6 trillion over 10 years. That is when the first tax cut was made. This is the difference between the two parties. The Republicans cut taxes even when the red ink is great.

Cut out the revenues, force the squeezing of Government. That means you have to cut transportation, and agriculture, and cops, and aid to seniors and virtually every other program, because you cannot cut entitlements. You cannot cut interest on the debt. We are in a war and unlikely to cut defense. So you have to cut everything else.

That is where we are going and it is only going to get worse in the future. The fact of the matter is that we don't have to make these tax cuts permanent at this time. There is only one reason they are in this bill. I don't believe it is for jobs. Clinton balanced the budget and produced 23 million jobs. This administration produced 2.6 million jobs. That is a pittance in comparison, and it is tax cut after tax cut. And when we finish here, we will be faced with an estate tax cut that will take hundreds of billions of dollars out of this revenue stream. So if there are any cops left, you can be sure they will be gone. If there are any food stamps left, they will have to be cut.

Those are the choices this forces. It is wrong, it is immoral and, I think, long term, it is a disaster for this Nation.

Bottom line: I urge my colleagues to vote no on this conference bill.

The PRESIDING OFFICER. The Senator from Mississippi is recognized.

Mr. LOTT. Madam President, we had speakers lined up under the unanimous consent agreement, but they have not been able to reach the floor yet. If Senator THOMAS shows up or Senator REED of Rhode Island, I will yield. I understand that perhaps Senator AKAKA is on the way.

While we are waiting, I found the remarks of the Senator from California very interesting, as they always are. I found her chart particularly interesting. When you talk about the situation of the Federal budget and the deficits, I think the chart showed where the problem is. I appreciate being able to refer to it.

The problem is that entitlement spending will go from 53 percent to 63 percent of the entire Federal budget over the next 10 years. Entitlements are going to eat the entire Federal budget, yes. We are getting squeezed in the nondefense discretionary area, but it is because of the entitlements. We all say that these are untouchable. Are they? We need reform in these programs—in Medicaid, Medicare, Social Security—so we can control the spiraling costs they are putting on the Federal budget.

There are those who say let's just raise taxes and we will have more money for all of these programs. No. I think that is going the wrong way. Certainly, we don't want to raise taxes on middle-class Americans. This bill would give relief, through the alternative minimum tax changes, of $38 billion to people in that middle-income area. Don't we want to help them?

Small business expensing. We want to help small businesses. We heard the Senator from New Hampshire talk about the growth in jobs creation. So we want to encourage that. That is why this bill would provide some additional tax relief, or at least prevent tax increases on small business men and women. That is why we want the alternative minimum tax to be dealt with because so many people are going to be hit with AMT, when nobody wanted that or anticipated that.

If we don't pass this bill, then middle-income America is going to be hit with this very unfair alternative minimum tax. We can deal with entitlements, but we have not been able to get the political courage to do so. Then, of course, the idea I have heard two or three times today is that President Clinton had a balanced budget during the latter part of his administration. Well, I was there. I remember what happened on the balanced budget. I remember the very difficult negotiations. I remember that we did have reform which he eventually signed. He didn't want to. We had welfare reform and he signed it. We had tax cuts to encourage growth in the economy, coupled with a reduction in Federal budget spending. He signed it. The Congress had a lot to do with that. I think he deserves credit. He was on the seat and he signed the bills. But I remember it was the Congress that drove that debate, and I am very proud of that period because I was in the leadership at that time and for 4 years, we had balanced budgets and a surplus, proving that it can be done. But you have to have both. You have to control spending, reform entitlements, and you have to cut taxes in a way that will create jobs.

I still have a novel idea. I think that people who should get tax cuts are the people who pay taxes, and to have some percentage that reflects that makes a big difference. Some people say, well, we won't give but $100 to somebody who makes $30,000 or $40,000 a year. It is not nearly as important to somebody who makes $200,000 who gets a $1,000 tax cut. But the fact is that you get tax cuts proportionate to what you pay. The people at the lower levels will get a tax cut; it won't be as big dollarwise as somebody who makes more because percentagewise, of what they do in terms of creating jobs, there is no comparison. It is part of the old class warfare that we always go through here.

If you tax the people who are producing jobs and paying the bulk of the taxes, they will change their behavior and they will quit creating jobs and paying taxes, and we will have less revenue. We are trying to encourage continued growth in the economy.

With that, I see Senator REED from Rhode Island has arrived. I yield the floor at this time.

The PRESIDING OFFICER. The Senator from Rhode Island is recognized.

Mr. REED. Madam President, I rise in opposition to this tax reconciliation conference report. At a time when we are all already shouldering a large budget deficit and fighting a war, this is an irresponsible fiscal policy. At a time when economic growth is mainly showing up in the bottom lines of companies, ordinary Americans are struggling with stagnating real wages and incomes. This is not the approach to take. Yet, we are debating a tax cut whose benefits go overwhelmingly to those who are so well off that they don't have to worry, as ordinary people do, about what they will have to give up to pay for the next tank of gas or to heat their homes.

Supporters of the tax cut in this reconciliation package, including the President, argue that those tax cuts have produced a robust economic recovery and extending them is necessary to keep the economy growing. Some of them even claim that the tax revenues bring in enough revenue to pay for themselves. These arguments are self-contradictory, where they are not downright wrong.

At the time the tax cuts in this package were originally passed, the economy was mired in an economic slump and they were sold as a means to jumpstart the economy. If the administration is right that the economy is now growing strongly, extending them is unnecessary. If those of us who believe there are still problems with this economic recovery are right, we would be throwing good money after bad to extend tax cuts that have been ineffective.

Responsible economists, at the time of these original tax cuts, pointed out that these particular tax cuts were very poorly designed to produce the job-creating stimulus the economy needed in the short run, and that they would be harmful in the long run by adding to the budget deficit. They were right.

Economic growth, job creation, and investment have been weak by the standards of past recoveries. At this point in the recovery from the 1990–1991 recession, the economy had created 4.8 million more jobs than have been created in this recovery.

Make no mistake, this tax cut will be paid for by borrowing and adding to the long-run structural budget deficit, and it will depress the growth in the American standard of living.

If the tax cuts pay for themselves, where are the revenues? Federal tax revenues as a share of the economy declined in each of the first 4 years of this administration, reaching a 45-year low in 2004. As the economy recovered, it was natural for revenues to rise. But despite that growth, Federal revenues were still below their historical average level last year.

Some have pointed to the higher than expected capital gains realization as evidence that the tax cuts pay for themselves. Yet, in a recent letter to Finance Committee Chairman GRASSLEY, the CBO concluded: ''After examining the historical record, including that for 2004, we cannot conclude that the unexplained increase (in capital gains realizations) is attributable to the change in the capital gains tax rates. Volatility in gains can stem from other factors, such as changes in asset values, investor decisions, or broader economic trends.''

Past history suggests that the timing of capital gains realization does respond to tax rates. We saw this in 1986 when realizations doubled from the previous year as investors took advantage of lower tax rates. Today, many investors are choosing to realize gains now while tax rates are low. This increases revenues today, but this is just tax revenue borrowed from the future. In recent testimony before the Joint Economic Committee, Federal Reserve Chairman Bernanke noted:

> There are a lot of factors affecting both the increase in the stock market and realizations. And one of the issues here is the question as to whether or not some realizations are taking place today which otherwise might have taken place in the future. And so, in that sense, the increase in tax revenue is reflecting a one-time gain, as opposed to a permanent gain.

It is clear that over the long term tax cuts do not pay for themselves. Former Federal Reserve Chairman Greenspan said in testimony before the House Budget Committee:

> It is very rare and few economists believe that you can cut taxes and you will get the same amount of revenue. . . . When you cut taxes, you gain some revenue back. We don't know exactly what this is, but it's not small, but it's also not 70 percent or anything like that.

Former Chairman of the Council of Economic Advisers, Gregory Mankiw, wrote in his macroeconomic textbook that there is ''no credible evidence'' that tax cuts pay for themselves, and that an economist who makes such a claim is a ''snake oil salesman who is trying to sell a miracle cure.''

I believe he was an adviser to the Republican President. The reconciliation bill is full of one-time gimmicks that take money from the future and leave major issues unaddressed. The one-year AMT fix costs $33 billion, but we will be back here next year to pass another fix that could cost an additional $40 billion for another 1-year solution. The AMT is a trillion dollar problem that the administration refuses to permanently correct.

The IRA provision is another gimmick that raises revenues now at the cost of greater revenue losses in the future. Why provide another tax-favored saving opportunity to the well off who are already able to save on their own? With all the gimmicks and front loading of future revenues, we should rename this bill ''the future tax increase for working Americans reconciliation act,'' because that is what we will need to happen to pay for these tax cuts for the wealthy.

Reconciliation was designed to enforce fiscal responsibility. It was designed to force us to make tough choices that emphasize our national priorities. Instead, what we now have is an unprecedented bifurcation of the reconciliation process that is full of gimmicks to pay for unwise tax cuts for those who need it the least, and poor decisions that ignore our needs to invest more in hard-working families.

The bill before us today has made an utter mockery out of the budget process and has turned it on its head. Once again, the legislation before us is about choices and missed opportunities. We have real crises and issues that we must confront as a nation, and we are again missing the opportunity of addressing them by squandering millions of dollars on cuts that are unnecessary. It is critical that we deal with energy, and it should be at the top of our agenda.

The fiscal strains caused by record high gas prices hurt workers and the economy. The average household will spend 75 percent more in gasoline costs this year than in 2001 and yet this tax reconciliation bill continues to give more tax breaks to large oil companies that have reported record profits in the past year, at the expense of Americans everywhere.

In March of this year, Lee Raymond, CEO of Exxon, testified before the Judiciary Committee that they didn't need the recent tax cuts provided in the Energy Policy Act of the 2005. When the most profitable companies in the world tell you they don't need tax cuts and you have more than a dozen tax cuts that have expired for millions of teachers, working families, and students, I believe the right decision is to help those who are in need and not these huge companies.

Last November, the Senate passed a tax reconciliation bill which scaled back some of the tax incentives for the major oil and gas companies. Many in the industry noted that these provisions would have little, if any, impact on supply and demand. In essence, the bill took back some revenue from unnecessary tax cuts for the most profitable companies. However, these reasonable proposals were eliminated from the conference report before us today.

Why was that done? Because, of all the provisions in this bill, President Bush threatened to veto this entire bill if it included the LIFO revenue raiser, which is a provision that would have eliminated for one year a favorable method of accounting for the big oil companies. When it comes to making the most profitable companies pay their fair share, the administration threatens to veto the legislation.

These specific oil and gas provisions which were included in the Senate-passed tax reconciliation would have raised $5 billion. This money could have been invested in fully funding energy efficiency and renewable energy programs in the Energy Policy Act. The money could have also been better invested in programs such as LIHEAP and the Weatherization Assistance Program to help reduce the energy burden of working families who are disproportionately impacted by these rising prices. These are the first steps in reducing our demand for fossil fuels and are currently our Nation's best means of addressing a secure energy future.

Ultimately, this bill will be a drain on national savings, and our children and grandchildren will pay the price. These tax cuts have not contributed to raising national savings. The personal savings rate which these tax cuts were presumably designed to stimulate has been going down and is now negative. On average, people are spending more than their current income. To be sure, soaring corporate profits and retained earnings have boosted the business part of private savings, but this is offset by budget deficits which these tax cuts will only increase.

We no longer have the fiscal discipline we had in the 1990s which allowed for a monetary policy that encouraged investment and long-term growth. The President's large and persistent budget deficits have led to an ever-widening trade deficit that forces us to borrow vast amounts from abroad and puts us at risk of a major financial collapse if foreign lenders suddenly stop accepting our IOUs.

Even assuming we can avoid an international financial crisis, continued budget and trade deficits will be a drag on the growth of our standard of living and leave us ill-prepared to deal with the effects of the retirement of the baby boom generation. Strong investment, financed by our own national savings, not foreign borrowing, is the foundation for strong and sustained economic growth and rising living standards.

We desperately need to bring our fiscal house in order, and today's bill only takes us further away from meeting that goal.

Mr. President, I yield the floor.

The PRESIDING OFFICER (Mr. VITTER). The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, it is very unfortunate that when it comes to issues of taxes that we see hand-wringing and we read editorials about who is receiving the benefits of a reduction in taxes or, in this case, who is going to have to face an increase in taxes because that is what this is all about, preventing an automatic increase in taxes if we don't do anything.

With the AMT, the alternative minimum tax, it is going to hit millions of families next year if we don't do something. We are going to have an increase in capital gains and dividends in a couple years if we don't take action today on this bill.

We should think of this as a question of who is going to see an increase in taxes. That is why the title of this bill is so on point. The title of the bill is the ''Tax Increase Prevention and Reconciliation Act,'' and the key part of those many words is ''tax increase prevention.'' That is the key part of the title. That is what this bill is all about. This is not about cutting taxes further. How many times have we heard the words ''cutting taxes'' used on the floor of this body?

What we are doing in this bill is making sure that people don't get an automatic tax increase because of sunset, and because Congress doesn't have guts enough to vote for a tax increase, they can stop legislation like this and have a tax increase and never have to be on record in favor of the tax increase. But we are not cutting taxes. We are keeping the same tax policy that we had in the 2003 tax bill, in the case of dividends, and we are keeping the same tax policy in the case of the alternative minimum tax that we had in the tax bill since Senator BAUCUS and I negotiated that tax bill in 2001—in other words, to hold harmless 22 million more people who are not going to be paying that tax on 2006 income who didn't have to pay it on 2005 income.

I would like to discuss some of the points on this matter that I hope will help keep the feet of people on the other side of the aisle, and maybe a couple on our side of the aisle, on the ground.

Let's start with the basic fact that thanks to the tax cuts we have enacted during the Bush administration, we have now removed millions of people from the Federal income tax rolls. Millions of hard-working families now do not have to pay any Federal income tax and, as my colleagues know, many of these families can get benefits from what is called the earned-income tax credit which serves the purpose of offsetting some payroll taxes low-income people pay.

Let me make it very clear. If you are bad-mouthing the tax policies of 2001 and 2003 in this administration, are you saying that it was wrong to take millions of low-income people who previously had to pay some income tax off the rolls? They probably couldn't afford to pay a little amount of income tax, and they are no longer paying income tax. It just shocks me that I would hear people bad-mouthing that tax policy that was adopted in 2001 which, quite frankly, is a continuation of some tax policy that was adopted in other tax bills in previous years.

That is a fact of life. Thanks to our tax cuts, millions of low-income families and individuals no longer pay Federal income tax. Yet people love to pull their hair about the fact that we are not giving tax cuts to these same low-income people. It is a fact of life that we all looked at. This kind of talk stops me right in my tracks. It reminds me of city folk who start to farm, plant soybeans, and wonder why they are not going to get a corn crop.

It is this way: If you don't pay Federal income tax—and remember, we just took lots of people, millions of people, off the Federal income tax rolls who don't pay Federal income tax—if you don't pay it, it is pretty hard to cut your income taxes. If you don't plant corn, you are not going to get a corn crop.

Again, this bill is focused on preventing tax increases, not cutting taxes. So anybody on the other side of the aisle who says we are cutting taxes for this group or that group doesn't know what they are talking about because what we are doing is continuing existing tax policy. If they want to go back and argue that tax policy adopted in 2001 and 2003 is wrong, that we cut taxes way back then, that is an intellectually honest argument. But don't say we are cutting taxes in this tax bill because we are not cutting taxes anymore. We are keeping the tax policy where it has been.

I find it particularly interesting that we hear from the other side of the aisle that we should have done just the alternative minimum tax in this bill and not done provisions for capital gains and dividends. Often, these folks arguing this way are the same folks who are wearing their hair shirt ragged on this issue of who is going to get tax benefits.

Interestingly, the Tax Policy Center, which is so often cited by newspapers and Members, shows that if we had just done capital gains and dividends and not done the alternative minimum tax, that would have provided more tax relief for low-income families and individuals. Let me make sure my colleagues understand that point. By including capital gains and dividends, this bill provides more tax benefits to low-income families and individuals than if we had just done the alternative minimum tax.

So I suggest to those who think they should only do the alternative minimum tax, they should hang up their hair shirt. We all know the reality is that capital gains and dividends are encouraging investors, new businesses, and as a result we get 5.2 million new jobs. We get 4.8 percent economic growth in the last quarter—18 quarters in a row of growth. I don't say that; Chairman Greenspan says that the tax cuts are responsible for turning the economy around and having this growth.

Let me further say that Chairman Greenspan has always had a great deal of credibility, and he still does. If he says it is better, then I say it. But if we can both say it, we are both right.

You create new jobs, new businesses. It is absolutely wrong to state that low-income families are not seeing benefits. They are seeing the benefits of these tax policies previously enacted by these 5.3 million new jobs created, and they will see these benefits in the future with more new jobs being created.

This has helped Americans at all levels. It is reported that the percentage of Americans earning more than $50,000 a year rose from 40.8 percent of the population to 44.2 percent of the population in just 2 years. While inflation is a factor—it is a very low inflation rate—that still reflects real gain.

To reduce all of this to a spreadsheet of who benefits directly from taxes is an easy game, and it is a good tool of demagoguery. The truth is that all Americans will benefit from a strong, growing, robust economy that will continue when we pass this bill because these policies are working today, and if we continue these tax policies, they are going to continue to grow the economy, producing new jobs and, more importantly, better jobs.

I would like to focus on this issue of who is paying the taxes in this country because that argument vexes me when I hear it demagoged. I ask unanimous consent to have printed in the RECORD an editorial from the Wall Street Journal last week that says: ''How to Soak the Rich (the George Bush Way).''

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

HOW TO SOAK THE RICH (THE GEORGE BUSH WAY)

(By Stephen Moore)

With the House and Senate preparing to vote on extending George W. Bush's investment tax cuts, it's no surprise the cries against ''tax giveaways to the rich'' grow increasingly shrill. Just yesterday Senate Minority Leader Harry Reid charged that the Bush tax plan ''offers next to nothing to average Americans while giving away the store to multi-millionaires'' and then fumed that it will ''do much more for ExxonMobil board members than it will do for ExxonMobil customers.''

Oh really. New IRS data released last month tell a very different story: In the aftermath of the Bush investment tax cuts, the federal income tax burden has substantially shifted onto the backs of the wealthy. Between 2002 and 2004, tax payments by those with adjusted gross incomes (AGI) of more than $200,000 a year, which is roughly 3% of taxpayers, increased by 19.4%—more than double the 9.3% increase for all other taxpayers.

Betwen 2001 and 2004 (the most recent data), the percentage of federal income taxes paid by those with $200,000 incomes and above has risen to 46.6% from 40.5%. In other words, out of every 100 Americans, the wealthiest three are now paying close to the same amount in taxes as the other 97 combined. The richest income group pays a larger share of the tax burden than at anytime in the last 30 years with the exception of the late 1990s—right before the artificially inflated high tech bubble burst.

Millionaires paid more, too. The tax share paid by Americans with an income above $1 million a year rose to 17.8% in 2003 from 16.9% in 2002, the year before the capital gains and dividend tax cuts.

The most astounding result from the IRS data is the deluge of revenues from the very taxes that were cuts in 2003: capital gains and dividends. As shown in the nearby chart, capital gains receipts from 2002–04 have climbed by 79% after the reduction in the tax rate from 20% to 15%. Dividend tax receipts are up 35% from 2002 to 2004, even though the taxable rate fell from 39.6% to 15%. This is as clear evidence of a Laffer Curve effect as one will find: Lower rates produced increased revenues.

What explains this surge in tax revenue, especially at the high end of the income scale? The main factor at play here is the robust economic expansion, which has led to real income gains for most tax filers. Higher incomes mean higher tax payments. Between 2001 and 2004, the percentage of Americans with an income of more than $200,000 rose from 12.0% to 14.2%. The percentage of Americans earning more than $50,000 a year rose from 40.8% to 44.2%—and that's just in two years. While these statistics are not inflation-adjusted by the IRS, price rises were relatively modest during these years, so adjusting wouldn't alter much.

We can already hear the left objecting that the rich are paying more taxes simply because they have hoarded all the income gains, while the middle class and poor wallow in economic quicksand. But, again, the IRS data tell a more upbeat story of widespread financial gains for American families. The slice of the total income pie captured by the richest 1%, 5% and 10% of Americans is lower today than in the last years of the Clinton administration.

So how can the media contort these statistics to conclude that the Bush tax cuts only benefited the affluent? The New York Times claims that the richest 0.1% got 5,000 times the tax benefit than those with less than $50,000 of income. That figure can only be true if one assumes that there were no economic benefits from the tax cuts whatsoever; and that lower taxes on income, capital gains and dividends resulted in no changes in the real economy—not the value of stocks, not business spending, not employment, not capital flows into the U.S., not corporate dividend payments, not venture capital funding—nothing. The underlying assumption of this static analysis is that tax cuts don't work and that incentives don't matter.

Of course, in the real world, financial incentives through tax policy changes matter a great deal in altering economic behavior. And we now have the evidence to confirm that the latest round of tax cuts worked—five million new jobs, a 25% increase in business spending, 4% real economic growth for three years and a $4 trillion gain in net wealth. So now the very class-warfare groups who, three years ago, swore that the tax cuts would tank the economy rather than revive it, pretend that this robust expansion would have happened without the investment tax cuts. Many Democrats on Capitol Hill recite this fairy tale over and over.

One final footnote to this story: Just last week, the Department of the Treasury released its tax receipt data for March 2006. Tax collections for the past 12 months have exploded by 14.4%. We are now on course for a two-year increase in tax revenues of at least $500 billion, the largest two-year increase in tax revenue collections after adjusting for inflation ever recorded. So why are the leftists complaining so much? George Bush's tax rate cuts have been among the most successful policies to soak the rich in American history.

Mr. GRASSLEY. Mr. President, I will highlight a few points from this editorial that is based on Internal Revenue Service data. After the tax cuts passed by Congress and signed by President Bush, the Federal income tax burden substantially shifts as a greater burden to the wealthy. Well, that must be a shock to people on the other side of the aisle. It says that after the tax cuts passed by Congress and signed by President Bush, the Federal income tax burden substantially shifted as a greater burden to the wealthy. It cites these statistics: Between 2001 and 2004, the percentage of Federal income taxes paid by those with incomes of over $200,000 a year and above has risen from 40.5 percent to 46.5 percent. The tax share paid by millionaires has risen, with Americans with incomes over $1 million going from 16.9 percent to 17.8 percent in 1 year, from 2002 to 2003.

And what have we gotten from the tax cuts in capital gains and dividends? Not only has it sparked the economy, as Chairman Greenspan gives it credit for doing, but in response to the cuts in capital gains and dividends, we haven't seen revenues from capital gains and dividends go down as part of our overall revenues. But the Wall Street Journal editorial states that capital gains receipts have increased 79 percent after the cut in capital gains and dividend tax receipts have gone up 35 percent.

We are seeing all this with the bottom line being that tax revenues have been increasing at an incredible rate. The Secretary of the Treasury noted in a press conference with me that we have seen double-digit increases in tax receipts in the last 2 years—hundreds of billions of dollars of taxes coming in. And I think I remember the figures that the Secretary of the Treasury gave. But first of all, before I give those figures, let me say there may be some people listening who think if you increase tax rates, you increase revenue coming into the Federal Treasury. Then there are people who believe that if you cut tax rates, you are going to cut revenue coming into the Federal Treasury. We are in an era where we are cutting tax rates, 2001 through 2003, and the surprise is—and this is probably a shock to some people—we had $274 billion more coming into the Federal Treasury in 2005 than in 2004. And with the continuation of that policy, right now, we have $137 billion more coming into the Federal Treasury than we anticipated in a 6-month estimate at this point in this fiscal year.

So it is working. That is why the title of this article that I am submitting is: ''How to Soak the Rich (the George Bush Way).''

Mr. President, there are studies that go around that say you can get marginal tax rates too high; that people that have some means are going to decide they are only going to pay so much money into the Federal Treasury. Then you know what they do? Instead of choosing productive activity to make money and pay more taxes, they decide: I am not going to pay any more. They choose leisure and do nothing, or do less. But when you reduce marginal tax rates, there is something about the wealthy: They are greedy. They are going to take advantage of the opportunity, and they are going to invest, make more money, pay more taxes and, in the process, create more jobs. That is what is happening in this economy today.

My hope is that my colleagues will see past the editorials and the rhetoric that make fun of what we are trying to do because they are too stupid to read the studies which show that you can lower taxes and have more revenue come in and recognize the reality that the wealthy are paying the greater tax, which happens when you reduce taxes, you increase revenue, because they are done choosing leisure and then they have incentives for productivity. Also, I hope my colleagues realize that low-income families have seen their Federal income taxes reduced as well, as best evidenced by those who are no longer on the rolls, or additionally what Senator BAUCUS and I got in the 2001 tax bill: The 10-percent rate. And people over here are bad-mouthing the 2001 tax cut. Do you want to do away with the 10-percent rate? Do you want to let that sunset in 2010 because you don't have guts enough to vote for a tax increase? Do you want it to go into place automatically and have a 50-percent increase in the tax rate of low-income people? It doesn't sound to me like you are very populace when you say things such as that.

The tax cuts have benefited all Americans by giving us a strong and growing economy, creating new jobs, 18 quarters of economic growth, 5.2 million jobs. We need to keep this economy going, and the way to help that along is not to increase taxes on middle-income people by voting against this bill that prevents 22 million middle-income people from being hit with the alternative minimum tax and to not increase taxes on those who invest in new or growing businesses that create new jobs. This bill is about preventing a major tax increase. A tax increase will hurt the economy. Don't take my word for it, take Chairman Greenspan's word for it.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Hawaii is recognized.

Mr. AKAKA. Mr. President, the chairman of the Finance Committee is a very good friend, and I know him as a good friend and a very passionate person who takes his work very seriously and is a hard worker in this body. I want him and the body to know that I do appreciate his good work. In this body we know that many of the bills offered are not perfect. We know there are many bills that are of concern to Members of this body and for those they represent.

Mr. President, once again, we are faced with a tax package that represents misplaced priorities, and that is not in line with the views of a majority of Americans, including taxpayers in my State of Hawaii. My constituents are calling for fairness in tax treatment, and they are not getting it in this tax package.

The $70 billion tax reconciliation conference report before us puts tax cuts for the richest in this country above tax relief for the middle class. It leaves out real solutions for real pocketbook issues for middle America, like the gas price crunch that has many families in a bind. It is outright fiscally irresponsible in an era when annual federal deficits exceed $300 billion, and uses budget gimmicks and timing shifts to mask its true costs. There are other choices that my colleagues and I would have made, and did make when we passed the Senate version of this bill, such as extending the Research and Development and Work Opportunity Tax Credit, but, once again, we were simply shut out of meaningful input into the conference committee process.

My constituents will not appreciate the inequities in this conference report. The measure provides an estimated annual tax cut of $42,000 for those making more than $1 million. For the top one-tenth of one percent of households in this country whose incomes exceed $1.6 million, tax cuts will average more than $82,000. Roth IRA changes would benefit those taxpayers who make $100,000 or more, meaning that more than 99 percent of the benefit would go to the top 20 percent income group. In contrast, Mr. President, the average tax reduction for middle-income families would be $20. Only five percent of benefits would go to those earning annual incomes of $75,000 or less.

What does this mean for those who are left out of this package? Not a single taxpayer can deduct state or local sales taxes from their 2006 federal taxes. School teachers who purchase classroom supplies out of their own funds—and I remember doing this when I was a teacher, and my teachers doing this often when I was a principal—will pay higher taxes this year. Families paying college tuition will be unable to deduct that tuition from their taxes this year. Employers will not receive a tax credit for people hired from welfare to work, so fewer will be hired. The research and development tax credit will not be available this year to businesses working hard on innovations to allow America to remain competitive in global markets. And, as the Ranking Member for the Homeland Security and Governmental Affairs subcommittee with jurisdiction over D.C., I must protest the non-inclusion of certain tax incentives for the District of Columbia.

Large oil corporations are taken care of in this package, while people in Hawaii and many others across the country continue to see their household budgets squeezed by high gas prices. This week, according to the AAA Daily Fuel Gauge, the average price for the nation is $2.88 a gallon for regular unleaded. The average price in my state of Hawaii where most supplies are imported is a whopping $3.40 per gallon for regular unleaded, and this number is steeper on the neighbor islands. I really feel for my constituents who have long commutes, such as those going from Wahiawa or Nanakuli to downtown Honolulu, Kona to Hilo on the Big Island, or Lahaina to Kihei on Maui, whose household budgets leave little room for excess costs. Hawaii's average price a year ago was almost a dollar lower per gallon, at $2.51 for regular unleaded. You can see what this has done to household expenses in my state and across the country. This tax package presented an opportunity to send a message to big oil. Instead, it fails to adequately curtail existing tax benefits for big oil—benefits that business leaders in the industry say they do not need—and includes pared back provisions such as a measure that eliminates exploration expensing. In the meantime, protections for those buying hybrid vehicles were weakened. The conference report does not respond to the current crisis at the gas pumps in a meaningful way.

For all of these reasons, Mr. President, I oppose this tax reconciliation conference report. We are once again burning the candle at both ends—shrinking revenues while absorbing tremendous ongoing costs for our military operations, efforts to combat terrorism, and relief for hurricane victims. This package comes at the wrong time and fails to deliver on promises of fairness to the American people.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. CARPER. I believe under a unanimous consent agreement the Senator from North Dakota is to be recognized next, and as soon as he is prepared to take control of the floor, I will be happy to yield to him. But until then, if I could have a moment or two, I would appreciate it.

The PRESIDING OFFICER. There is no unanimous consent agreement currently in operation, so the Senator has been recognized.

Mr. CARPER. I appreciate the Senator from North Carolina giving me a minute or two.

Mr. President, earlier this year I had an opportunity to vote on a tax bill. The tax legislation I voted for, not once but twice, provided for renewing—extending the investment tax credit. We needed to do that. It expired. It called for extending for a 2-year period of time the fix to the alternative minimum tax. We needed to do that. It has expired. It called for renewing and extending the college tuition deduction.

We need to do that. It has expired. We paid for doing all of those things in ways that would not make the budget deficit grow larger.

Today, as we take up this legislation and consider its passage, it includes nothing about relief for those people who are now paying the alternative minimum tax who should not be; there is nothing to extend the research and development tax credit, and we should be; and, frankly, it doesn't do anything about restoring the college tuition deduction, and we ought to be doing that as well.

What we do is go down the road a couple of years and say that the 15 percent tax on capital gains and on dividend income, we are going to extend it for 2 years beyond December 31, 2008. Yet we are not addressing the stuff that needs to be addressed, the tax provisions that need to be addressed right now.

What makes today's proposal all the more galling is, in order to pay for this tax bill we use a gimmick. I thought I had seen everything. I have never seen anything quite as cynical as this, where we actually pay for a tax cut with a tax cut. Some of us have heard the old saying, ''no pain, no gain.'' Around here, in this Congress, and, frankly, with this administration, instead of our slogan being ''no pain, no gain,'' it really ought to be ''short-term gain and long-term pain'' because what we are doing is stealing revenues beyond the year 2015 in order to pay for a tax cut that will largely help people who honestly don't need a huge tax cut.

I don't know that this makes a whole lot of sense. It doesn't pass what I call the commonsense test back in Delaware. ''Short-term gain, long-term pain'' is not as catchy, I suppose, as ''no pain, no gain,'' but I tell you that is what the watchword of the day is around here. It is wrong. We ought not to do it. I will be voting against this tax bill as a result.

I thank the Senator from North Dakota for sharing this time. I yield.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, I want to thank my very able colleague from Delaware, Senator CARPER. I always enjoy listening to him and his perspective on these issues. I think he is somebody who is rock solid on this issue of fiscal responsibility. I am hopeful at some point very soon we will get serious about restoring fiscal discipline to this country. We are headed for the cliff, and we are headed at a very rapid rate. So I again thank my colleague from Delaware, Senator CARPER.

I have said publicly before, and I believe it, that I have never seen this city, this institution, the White House, more disconnected from reality than we are at the current time. Let me just put in perspective where I see that we are and where we are headed.

This chart shows the fiscal failures of this administration. He inherited a surplus of $128 billion in 2001, and by his second year in office he had us in the ditch, right back in the deficit ditch that we dug out of: $158 billion of red ink in 2002.

Then the deficits really exploded to almost $400 billion in 2003, over $400 billion in 2004. We saw somewhat of an improvement in 2005 to about $320 billion. Now it is going back the other way. We now estimate the deficit will be in the range of $325 billion this year.

Far more serious is what is happening to the growth of the debt because the deficit, while it is projected to go up $325 billion this year, here is the projection on the debt. The debt is now estimated to be increasing by over $600 billion this year.

Put that in perspective. At the end of the first year of this Presidency we had a gross debt of the country of $5.8 trillion. In 1 year under the President's plan—this year we are going to add another $600 billion to the debt. That is an absolutely unsustainable course.

Now the President comes to us and says what we need to do is make all the tax cuts permanent. Let's dig the hole deeper. Here is what the President's proposal would do. In the first 5 years—see, this is a little like hitting the iceberg. You know, most of the iceberg is underwater. Most of the President's tax cut is hidden from view because it is outside the 5-year budget window. The President only shows 5 years. Why? Maybe it is because he doesn't want to show where all this is headed. But here is the revenue loss as you go forward. The cost of these tax cuts absolutely explode.

This is at a time when the debt is exploding. Remember what the President told us when we adopted this fiscal course? He told the country he was going to have maximum paydown of the debt. Do you remember that? He was going to pay off all the debt that was available to be paid off. Now we can go back and check the record and see what actually happened, and here is what actually happened. This is what has happened to the national debt under this President's watch. There is no pay down of debt. The debt is exploding.

As I indicated, it was $5.8 trillion after his first year in office. We don't hold him responsible for the first year because we were operating under another fiscal plan. But look at what has happened since. The debt has skyrocketed. At the end of this year it will be $8.6 trillion. This President has already added $3 trillion to the national debt.

Under the budget plan that is over in the House of Representatives and here, it is going to go up another $3 trillion. They will have more than doubled the debt of this country.

Perhaps most stunning is how much of this debt is being financed by foreigners. This chart shows it took all these Presidents, 42 Presidents, 224 years, to run up $1 trillion of debt held by foreigners. This President has more than doubled that amount in just 5 years. This President has trumped all these Presidents combined, in terms of running up foreign debt, U.S. debt held by foreigners. That is truly a stunning achievement.

This morning in the Budget Committee we were interviewing Mr. Portman, who has been nominated to head the Office of Management and Budget. One of my colleagues said: The performance of this administration on fiscal affairs has been extraordinary. And I agree. It has been—extraordinarily bad. No other President has come close to this record of running up debt, debt on top of debt. He will have doubled the debt of this country, and he has already more than doubled U.S. debt held by foreign countries.

Our Republican colleagues say: Don't worry. If you cut taxes you get more money. The only problem with that is we are now able to examine the record. We are now able to go back and look at what happened since they started down this policy road, and here it is. The numbers do not lie.

In the year 2000, we had over $2 trillion of revenue. The President came into office and said he had an idea, he was going to cut, and cut massively, taxes, and we would get more revenue. Let's look. Did we get more revenue? In 2001, the revenue went down to under $2 trillion. The next year it went down some more. It went down to $1.85 trillion. How about the next year, did it go up then? No. It went down some more. In 2003, we went down to $1.78 trillion.

In 2004—how about this, now, 4 years later, was the revenue up to where it had been in 2000? No, not even close.

What is this talk, you cut taxes and you raise more revenue? The only problem with that is it hasn't worked. It didn't work. We didn't get back to the 2000 level of revenue until 2005.

It is even more clear for revenue as a share of gross domestic product, which is what economists say we should use so that we are taking out the effects of inflation and growth. What do we see? The President came into office in 2000, revenue was 20.9 percent of GDP. Look what happened. This is what happened on the revenue side of the equation. It absolutely collapsed, most of this because of the tax cuts. So in 2004 we were down to 16.3 percent of GDP, revenue of the Federal Government. That was the lowest it has been since 1959.

Now we have had an uptick, but we are still way below where we were. We are also well below where they said we would be back in 2001. If you go back to 2001 and see what their estimates were of what revenue would be in 2006, this is what they said. In January of 2001, they said: When we get to 2006, we will have $2.7 trillion of revenue.

Here is what we see—not $2.7 trillion but far short of that, $2.3 trillion. Maybe we are going to have something a little bit better than that, maybe even 10 percent better, but still way short of what they projected.

Now our Republican colleagues come out with this plan. It's breathtaking that, when already we can't pay our bills, we are adding dramatically to the debt. Their answer? Spend more money. We just approved more than $100 billion of additional spending that was off-budget—and cut the revenue some more, cut the revenue $70 billion, and that is just step 1. They are going to come out here with some more tax bills and cut it even more. So their answer is dig the hole deeper. They are saying: America, you are going to get a big tax cut. It is your money.

Let's examine that statement: It is your money. I agree with that. All of this is the people's money. That is exactly right. But, you know, to give this tax cut—because we are running deficits, there is no money to give back. This money is all being borrowed. It is being borrowed largely from the Japanese and the Chinese. So let's think about what we are doing. We can't pay our bills so the President says let's have a big tax cut, reduce our revenue even more, and we have to borrow it.

Increasingly, we borrow the money from the Chinese and the Japanese. So we are going to borrow the money from the Chinese and the Japanese to give people a tax cut and here, who is going to get it? Those who earn from $10,000 to $20,000 are going to get an average tax savings of how much? Two dollars. That will certainly be helpful to them. Those earning $20,000 to $30,000 are going to get $9. Those earning from $30,000 to $40,000 are going to get $16. Those earning between $40,000 and $50,000 are going to get $46. Those earning from $50,000 to $75,000 are going to get $110.

Let's go to the other end, those earning more than $1 million. They are going to get $42,000. And where are they going to get it from? They are going to get it from borrowing from the Chinese and the Japanese—and the British and the Caribbean banking centers and the South Koreans and every other country in the world that we can borrow money from. Does this make any sense?

Let's see. We can't pay our bills now, so what is the answer? The administration says: Spend a bunch more money. They wanted $92 billion off-budget additional spending, and by the way, cut the revenue some more so that the hole gets deeper.

Where are you going to get the money? We don't have the money. So we are going to have to borrow the money. Who are we going to borrow the money from? From the Chinese and the Japanese so we can give those earning more than $1 million a year a $42,000 tax cut, so we can give those earning $10,000 to $20,000 a year $2. That way they can say everybody is getting something. As amusing as it might be, it is also serious and it is leading us down a path that is, in my judgment, a complete disaster.

The tax bill that is before us also leaves out things that we typically extend year to year that would normally be included in this legislation. But our friends on the other side said, No, it is much more important to give these big breaks to those who are at the very highest part of the income level in our country. We are going to leave out the R&D tax cut, which might actually help strengthen our country for the future. We are going to leave out tuition deduction, which will help families afford tuition so we can better educate them. That is left out. The sales tax deduction is left out for States that have sales tax and people deduct what they pay in sales tax. The work opportunity and welfare-to-work credit is left out. The savers credit—and we have negative individual savings in our country—they leave out that credit. That is an interesting idea. Leasehold and restaurant improvements is left out. Teacher classroom expenses is left out. The new market tax credit is left out. Our friends last year labeled this whole plan the deficit reduction plan.

Let us look at what they have done. They reduce spending $39 billion over 5 years. They did not actually reduce spending. Spending, of course, is going up dramatically; it is not going down. They reduced the rate of growth theoretically over 5 years by $39 billion. But then they turned right around and in this bill cut the taxes $70 billion.

When you put the two together, there is no deficit reduction. The deficit increases. Instead of labeling it the ''deficit reduction bill,'' they should have called it the ''deficit increase bill.''

They are not done yet because we all know they are going to come with a second tax package outside of reconciliation and add another $30 billion or $40 billion of revenue reduction.

On top of it all, they have used the series of budget gimmicks to make room for these additional tax cuts. They count short-term savings from the revenue-losing Roth IRA provision. That gains about $6 billion in the near term but loses $36 billion over a longer period. They concocted this as a way to make the numbers work at least for a moment.

They sunset small business expensing provision, they have a 5-year delay on the implementation of withholding on Government contracts, and they have a timing shift for corporate estimated payments—gimmicks on top of gimmicks to make something look like something it is not. That is an old Washington tradition.

Perhaps the most egregious is the Roth gimmick, counting short-term savings for something that is a long-term loser.

There is a quote from the Washington Post:

> One measure would allow upper-income savers with a traditional Individual Retirement Account to pay taxes on the account's investment gains and then roll over some of the balance into a Roth IRA, where the money can be withdrawn tax free upon retirement. The provision would raise about $6.4 billion over 10 years, seemingly keeping the size of the tax-cutting package down. But over the next 5 years, it would cost the Government $36 billion, according to the Urban Institute Tax Policy Center. This is the kind of shell game that gets us deeper into trouble.

If you look at it, just visually, what they are doing with business expensing, 2006, 2007, 2008, and 2009, it is $100,000. What do they do? They drop it dramatically by 75 percent to make it look as though somehow this whole package fits within the $70 billion. It is, frankly, a giant fraud.

Here is what our Comptroller General said about the current fiscal path. He says:

> Continuing on this unsustainable fiscal path will gradually erode, if not suddenly, damage our economy, our standard of living, and ultimately, our national security.

That is what is at stake here. Ultimately, that is what is at stake here—the economic security of our Nation, the national security of our country. And our friends are playing fast and loose with the long-term security of America—doubling the national debt over a very short period of time, doubling the amount of money that we will owe foreign investors, utterly unsustainable. None of it adds up.

What are the consequences? Here are the consequences. Here is what the Federal Reserve has been doing to interest rates. Interest rates—up, up, up, up, up, and up—16 rate increases. Why? Because they are desperately afraid of the inflation that comes when you borrow massive amounts of money and you spend more than you take in. They are very worried about a country that is going add $600 billion to the national debt this year and run a trade deficit of another $700 billion—unprecedented in our Nation's history.

Our friends on the other side say the economy is doing well. Is it doing well? Here is what has happened to real median household income. It has declined 4 straight years. Real median income is down, down. That is not success. When we compare this economic recovery with the previous nine economic recoveries since World War II, here is what we find. This dotted red line is what has happened in the nine previous recoveries on business investment. The black line is the recovery. What you see is we are 45 percent lower than the average of the nine previous recoveries since World War II. That is not economic strength. That is an economic plan that is not working.

It is not just true in business investment; it is also true in job creation. Again, the dotted red line shows what has happened in the average of nine recessions since World War II. The black line is the recovery. You can see that we are 6.5 million private sector jobs short of the average recovery since World War II.

Something is wrong. I submit that one of the things wrong with this massive debt is we are loading on this economy the biggest increase in debt in the history of our country—and it just keeps on coming.

Our colleagues on the other side have abandoned fiscal responsibility completely. They have decided to put it on the charge card, send a bill to our kids and our grandkids, and they have done it at the worst possible time. They have done it before the baby boomers retire.

This is the sweet spot in the budget cycle. These are the good times. What is going to happen when the baby boomers start to retire? The baby boomers are not a projection; they are a reality. They are going retire, and they are going to be eligible for Social Security and Medicare, and we can't pay our bills now. What is going to happen when they begin to retire?

Let me tell you that the logic of what our colleagues on the other side of the aisle are doing is to force this country into a situation in which they have to shred Social Security and Medicare in order to keep this country from bankruptcy. That is the logic of where they are taking our country. It is a disastrous fiscal direction.

I hope very much that our colleagues will say no to this, say no and get us back on the course of fiscal responsibility.

I ask unanimous consent that a description of a provision, which is extraneous pursuant to the Byrd rule, be printed in the RECORD.

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

PROVISIONS OF CONFERENCE REPORT TO ACCOMPANY H.R. 4297, TAX RECONCILIATION ACT OF 2005 WHICH ARE EXTRANEOUS PURSUANT TO THE BYRD RULE

[Senate Budget Committee Democratic Staff]

Provision	Violation(s) of Sec. 313(b)(1)(A–F)	Description of Provision
Sec. 512	Sec. 313(b)(1)(E) of the Congressional Budget Act of 1974: Net revenue decrease in every year beyond FY 2010 exceeds savings from other provisions in each of those years.	Roth IRA conversion provisions.

The PRESIDING OFFICER (Mr. ALEXANDER). The Senator from Iowa.

Mr. GRASSLEY. Mr. President, the Washington Post printed on its front page yesterday a chart that was intended to show that the tax benefits in this tax bill go disproportionately to the super rich. The information was based on a study by the Tax Policy Center, along with the Center on Budget and Policy Priorities that has made no secret of its opposition to the tax relief included in this conference agreement. So there is a biased view.

I have had an opportunity to dig into the details of how that particular study was conducted. But if it is like similar analyses, the reported dollar savings statistics don't tell the whole story, and for three reasons:

First, it includes all households, even those that do not file tax returns or don't owe any tax liability, and even those that have a negative tax liability because they receive refundable credits.

In analyzing the distribution of the tax cut, it makes more sense to look at who actually receives the benefits as opposed to what they do. In other words, why include people who don't pay any taxes in the first place?

Second, the statistics in that study did not take into account the fact that the tax rates on dividends and capital gains for those in the bottom two income tax brackets drop to zero percent in 2008. That is that rate we are extending.

Third, and most importantly, the statistics are not shown in the context of the total income tax burden that these taxpayers bear. It is common sense that income tax cuts can only go to people who pay income tax.

Let me repeat that because I think the other side wants to ignore that:

Income tax cuts can only go to people who pay income taxes.

The value of the tax cut should be measured then not only in absolute dollar terms but also in relationship to the total income tax liability.

This conference agreement before us has two centerpieces, the alternative minimum tax hold harmless, which passed the Senate with 66 votes. The extension of lower tax rates on dividends and capital gains is the second provision.

If we applied the logic of including all tax returns in the various income groups and compare the AMT and dividend and capital gains tax savings to the total income liability borne by those groups in the aggregate, we can see that all of these groups receive meaningful benefits.

That is what the chart before us says. This chart was prepared by my Finance Committee staff, but it is based upon analysis of data provided by the Joint Committee on Taxation, not some liberal think tank that has its own ax to grind. The Joint Committee on Taxation is not Republican or Democratic—they are professional tax people who just study taxes up and down, and their economic impact.

As the statistics from the Joint Committee on Taxation show, all of these income groups receive meaningful benefits from this conference agreement.

In fact, the biggest beneficiaries are those in the $100,000 to $200,000 and $200,000 to the $500,000 AGI categories. The $100,000 to $200,000 and the $200,000 to $500,000 category.

The reason that shows up on the chart that way is not because of the reduced rates on dividends and capital gains that the other side is complaining about; it is because of the alternative minimum tax, the hold-harmless provisions that I fought to get completely the way the Senate had included them in this conference report.

Of course, it is strongly supported by the same folks who strongly oppose this conference agreement because of the extension of lower rates on dividends and capital gains, which I point out benefits low-income taxpayers more than the AMT relief—as we can see on the chart, $50,000 and under and the $50,000 to $100,000 category.

The core of this conference agreement is the alternative minimum tax hold harmless, which is the Senate position I fought hard for in conference. The other main provision is the extension of the lower rates on dividends and capital gains in combination with two provisions providing meaningful income tax savings to Americans across the income spectrum, not just the rich. These savings will prevent over 15 million Americans from being hit by the stealth AMT tax and allow those taxpayers and millions more to keep more money in their pockets to spend in the economy, adding to savings rather than sending money here for Members of Congress to spend.

Let me remind people of something brought home to me when I held a town meeting in Iowa. I never have anyone come in and say they are undertaxed, but I sure have plenty of people come in and say that Congress is wasting a lot of money. So every time we have a tax bill, people are complaining because we are not taxing more to reduce the deficit, and higher tax rates do not bring in more revenue. The people crying about that are the very same ones who are voting all the time to increase expenditures whenever they get an opportunity.

I also address one of the important measures in this bill, the tax gap. Last January, 2005, the Joint Committee on Taxation provided a report on possible options to improve tax compliance. This report suggested that one of the key ways to deal with the tax gap is to impose withholding on certain payments made by government entities. The joint committee report stated:

> The lack of a withholding mechanism on nonwage payments leads to substantial underpayment of tax each year and has long been identified as contributing to the tax gap.

And a further quote:

> Payments made by the Federal government and State and local governments represent a significant amount of those annual payments that are not subject to withholding. Imposing withholding on nonwage payments made by the Federal government and State and local governments would improve taxpayer compliance, reduce the tax gap, and promote fairness.

The problems of government contractors not paying tax has been a subject of very good oversight of the Committee on Governmental Affairs, particularly led by Senators COLEMAN and LEVIN, as well as the Government Accountability Office. The findings of the Government Accountability Office report in June of 2005 show that over 33,000 contractors owed over $3 billion in unpaid Federal taxes as of September 30, 2004. Clearly, there is a serious problem. Fortunately, there is broad bipartisan support for a solution proposed by Joint Tax of a 3-percent withholding on government payments.

I think it important that my colleagues recall that this basic, same reform was included in an amendment offered by the ranking member of the Budget Committee on November 17, 2005. That was vote No. 330. This amendment, which included this provision, was supported by all but two of the Members of the other side of the aisle.

I am pleased that there is wide recognition of the need for this reform and that this is not a partisan question. However, I do anticipate that some Senators will want to make an argument that we should have implemented this reform much earlier.

Several points on that issue. This is a real break from previous practice and will require changes in business as usual by Federal, State, and local governments. It is for these reasons that the Joint Tax Committee recommended at a minimum there should be a 6- to 18-month delay before implementation.

It was unfortunate that the amendment from the ranking member of the Committee on the Budget did not allow for this time period for governments to prepare for this new requirement. In fact, rather than giving the time allowed as recommended by the Joint Committee on Taxation, the provision was actually retrospective. However, I understand firsthand the difficulties of trying to deal with revenue issues in a specific year, so the author of the amendment has my sympathy.

We chose to go beyond the period recommended by the Joint Tax Committee and give governments and contractors additional time to prepare for this new withholding requirement. Allowing for additional time was a point that brought greater comfort to conferees in considering this new legislation. Additional time would give Congress an opportunity to hear from parties. It may be possible that after the dialog, we will be able to move up the effective year to begin this important provision dealing with the tax gap.

Let me be clear. This is a measure which has bipartisan support. That is very positive. We need to work on a bipartisan basis to deal with the tax gap. This is a good first step. The only question, then, is possibly one of timing. I have erred on allowing government and the contractors to fully prepare for this new requirement and for the Treasury to issue regulations that will give guidance allowing for a smooth start.

I also take a moment to respond to something that was said this morning by my friend from Oregon, Senator WYDEN, a member of the Senate Committee on Finance. He is up on tax legislation most of the time. His earlier comments about his provision to eliminate energy bill tax incentives for major oil companies needs an explanation that I don't think he is aware of.

In November of 2005, he offered an amendment in the Committee on Finance to eliminate the tax break known as G&G for geological and geophysical costs that major oil companies received in the Energy bill. His provision is in this conference report. I went to the conference with his provision, and I came out of conference with his provision intact.

In addition, we actually improved the original Senate amendment and increased the amount of tax revenue that is going to be raised over the 5-year period. The provision of my friend from Oregon resulted in a $101 million Federal tax benefits savings for the 5-year budget window this bill covers. Through conference negotiations, we managed to find a way to actually increase the revenue raised over 5 years from that $101 million up to $160 million, and we still respected the concerns in the original Senate bill.

Another point I make is that the original proposal filed by my friend from Oregon actually lost $88 million in Government taxes the first year. In other words, the way the original amendment worked, it actually gave major oil companies an $88 million tax benefit, and under the reconciliation rules, that would not work. We had to change the formula so that the provision raised tax revenue of $160 million over all 5 years of the budget resolution.

I want the record to reflect that I upheld my part of that bargain. This conference report holds up its part of the bargain on that provision. The major oil companies only received one tax benefit in the Energy Policy Act of 2005. This conference report removes the tax benefit the major oil companies received from the G&G tax incentive.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, I like my colleague from Iowa. We work together on a lot of things. But I know he will give me room to disagree today.

I disagree very strongly about the philosophy, the approach, and the legislative initiative that is in the Senate. I was thinking about legislating. We do not have legislative reviews, like movies do. In movie reviews, you can get a sense of what is going to happen, and maybe someone will have made a judgment about it.

I have a review from ''Groundhog Day.'' I don't know if anyone here has seen ''Groundhog Day,'' but it is about a weatherman who goes to cover Groundhog Day to determine how much additional winter will exist, and then he goes back to his hotel room. Every morning, the alarm rings at 6 o'clock and the same day starts over again. He simply cannot get out of it. That was the movie ''Groundhog Day.'' The review for it said that Phil Conners is an egocentric weatherman who annually covers a Groundhog Day celebration in a small Pennsylvania town. Phil finds himself reliving Groundhog Day over and over, which makes him realize he has to change his ways.

So this is like Groundhog Day in the Senate. We are reliving over and over and over the ability of the majority party to cure whatever ails America with another big tax cut that goes largely to upper-income Americans.

We have a big deficit that is out of control. We are deep in debt, choking on debt. What is the solution? Cut the revenue. What kind of solution? How do you cut the revenue? Cut the revenue for the top folks. The big guys. The big shots. Because the little folks do not pay taxes, we are told. Oh really?

Well, there are lots of taxes people pay. There are payroll taxes. That is a proportional tax. The person at the lowest end of the economic ladder pays the same percentage in payroll taxes as the person at the very top. Yet we are told, somehow, that these people at the bottom do not pay taxes. Therefore, when we construct an income tax rebate or an income tax cut, sure, most of it has to go to the upper income folks.

Here is a description of where most of the tax cuts have gone in this bill. This is from the Tax Policy Center. It says that if you are somewhere between zero and $20,000 in income, you are going to get a $3 tax cut—not $2, not $4, but $3. So just get ready, that is one gallon of gasoline you will get. But if you have over $1 million in income, you in this conference report which is brought to the Senate today, boy, you ought to get ready to celebrate. You will get a $42,766 tax cut on average. Someone says here is a check for $42,000. All we know is that you have a lot of money, you are at the top of the scale, but you will get $42,000 and the person over here is going to get $3.

Let me read something that comes from a fellow whom I like. He is one of the wealthiest people in our country. His name is Warren Buffett. Warren Buffett wrote a piece for the Washington Post a few years ago. Here is the op-ed piece by the second richest man in the world. Here is what he says about the tax cuts in the Congress. He talks about himself and the receptionist in his office. He wrote this op-ed piece when the majority party was proposing that there be a zero tax rate on investment income, dividends, and the like.

He said:

> Now, the Senate says dividends should be tax free to recipients.

I admit this bill does not make them tax free. It takes dividends to the low tax rate of 15 percent and keeps them there.

> Now the Senate says dividends should be tax free to recipients. Suppose this measure goes through and the directors of my company therefore decide to pay $1 billion in

dividends next year. Since I own 31 percent of my company, I would receive $131 million in additional income. I wouldn't owe another penny in Federal tax. My tax rate would plunge to 3 percent—

He is talking about his income——

while my receptionist would still be paying 30 percent.

So here are comments from the world's second richest man who is taking a look at the strategy for tax cutting by the majority party, saying—and he said it in another venue—if this is class war, my side is winning, and I don't need these tax cuts.

But that is exactly what is happening because there is a belief here that somehow our economy works when you put something in at the top and it filters down. We have heard of this ''trickle down'' for a long time. But that is what is at root here, the ''trickle-down'' economics. I had a guy once tell me: I have heard of this trickle down for 10 years now, and I ain't even damp yet. But that is because he did not earn a lot of money and he was not getting big tax cuts.

Well, let me describe what is not in this legislation. At a time when we have very significant budget deficits—everybody here should understand the country is off track. We are seriously off track. We are going to load up and burden our kids and grandkids with all this debt at a time when we just passed a $109 billion emergency supplemental bill that was not paid for, to fund military operations in Iraq and Afghanistan, to pay for Hurricane Katrina relief, and so on.

Just following that, we bring to the floor of the Senate another massive tax cut. Groundhog Day: Do it again and again and again. It will cure every ill, we are told.

What doesn't this legislation have? Let me give you an example of what it does not have. It does not have any provisions that should have been in the bill that would attempt to get the taxes owed by U.S. multinational companies that park their earnings offshore or use tax-haven countries to avoid paying their taxes on income they earned in this country.

Let me give you an example of that. I have used this many times on the floor of the Senate. This is compliments of David Evans, an enterprising reporter for Bloomberg. This is a picture of a five-story building on Church Street in the Cayman Islands. This is home to 12,748 companies.

Let me say that again because it is important. This little white building called the Ugland House in the Cayman Islands—a tax haven country—is home to 12,748 companies.

Now, do they live there? No. No. That is just their mailing address set up by a lawyer. For what purpose? So they can run income through it to avoid paying taxes. It is a sham. In the nature of an old spaghetti western, you would think the sheriff would get on his horse and ride right into the canyon after these folks. It is unbelievable what is going on. Now we believe the proposal that would shut this down would raise about $15 billion over 10 years. It is not in here.

I will give you another example. In addition to the Ugland House, where companies run the income—incidentally, in many cases, these are the same companies that moved their jobs to China, sell their product in America, and run the income through the Cayman Islands so they do not have to pay taxes; and the same companies that next week will be here saying: Yes, I moved my jobs over to China. And I also want to, through the back door, bring cheap labor in through a different source. That is another story for another debate next week, perhaps.

But in addition to the Ugland House and 12,000 companies perpetrating a myth that this is home for tax purposes, we see U.S. companies moving their jobs overseas and the Joint Committee on Taxation says we are losing $1.2 billion a year subsidizing and providing tax breaks to these very companies that are closing their American manufacturing plants and moving their jobs to China or Indonesia or Sri Lanka or Bangladesh or elsewhere.

People will say: I don't believe that. That can't possibly be happening. Yes, it is happening. We actually have this pernicious tax break in tax law that says to a company: This is a global world, a global economy. Shut your American plant, fire your American workers, move your jobs to China, sell your product back into the United States, and we will give you a big, fat tax break.

Should that tax loophole be closed and maybe raise a little money? I have tried four times on the floor of the Senate to close it. Four times I have lost that vote. It is nearly unbelievable.

In the broader case of fiscal policy, there is no philosophy that I can understand—economic philosophy or political philosophy—that would justify at this moment deciding what America needs most is to reduce its revenues, especially by benefiting the highest income earners at a time when we are choking on debt.

I have said before, and I say it with some amount of jest, I guess, that there was a time when the majority party here in this Congress—the party that controls the White House, controls the House and the Senate—could be relied upon for a couple of things. Conservatives were conservative.

In my little town of 300 people, I knew what a conservative was. I could see them. I could see it operate day to day. I could see the way they behaved in our town. You could count on them for something, always. I always kidded, they wore gray suits like bankers, they wore wire-rimmed glass, and they looked as though they had just eaten a lemon—very serious. The one thing you could count on was, they would stand up for fiscal policy that says: We demand balance. Balance your budgets. Save for the future. Conservative values. That is what they always gave to our country, always gave to our communities, State legislatures: the philosophy of staying on track, balancing your budget, decent fiscal policy.

It is gone. It is absolutely gone. Proposed increases in the Federal debt of gigantic proportions, tax cuts coming to the floor when we are choking on debt, bills coming to the floor saying: Let's spend $109 billion more. And, by the way, don't worry, we don't have to pay for it. Just declare it an emergency. Where on Earth is the conservatism that used to be involved in fiscal policy construct? It does not exist.

Some of us understand, I think, that this is off track, and we have a responsibility to put it on track. Ronald Reagan used to ask the question: If not us, who? If not now, when? If not us, who is going to do this? We are elected to do this. It is our responsibility to look truth in the eye and decide: This is unsustainable. We can't continue on this track. If we don't do it now, when will we do it? Next month? Next year? I don't think so.

This is the kind of Groundhog Day of fiscal policy; every time we come to the floor and turn to another chapter in this book, the next chapter says: It does not matter what is wrong with us, what we need is to cut taxes, and we need to cut them for the top folks. If you earn $1 million or more a year, you get a $42,000 refund check. If you earn $10,000 or $20,000 a year, you get $2 or $3.

I am saying that is not what I think is going to cure what ails America. We need a strong fiscal policy that recognizes our responsibilities, one that is fair, and one that stares truth in the eye and says: This cannot continue. This current fiscal policy is off track. We have a responsibility—yes, we do; Republicans and Democrats, conservatives and liberals, this President and this Congress—now. It is us, and it is now. That is the answer.

We have this responsibility, and I hope we act sooner rather than later. For that reason, I will not vote for this legislation. This legislation is, in my judgment, poorly constructed, provides all the benefits in the wrong direction. But, secondly, and even more importantly, it seems to me the worst step you could make at this point is to send a signal to the folks who are watching this country's economy, saying: Yes, we are way off base. We are about $1.4 trillion, just in the last 12 months, off track—about $650 billion in additional borrowing on the fiscal policy side, and a $700 billion deficit on the trade side, added together is almost $1.4 trillion in the red—and the signal we are going to send to people is: We are not serious about that. What we want to do is cut revenues.

I am telling you, people watching this—the bond markets, the investors—worldwide will say: This is not a Congress that is serious about addressing this country's problems.

America deserves better than that, in my judgment. That is why I cannot vote for this legislation.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from West Virginia.

HEALTH INSURANCE MARKETPLACE MODERNIZATION AND AFFORDABILITY ACT

Mr. BYRD. Mr. President, today the Senate debates S. 1955, the Health Insurance Marketplace Modernization and Affordability Act. Now, health care is a very complicated subject. The issue of health care involves life-or-death decisions for millions upon millions of Americans who lack even the basic access to affordable health care.

The reality is that health care costs are skyrocketing, and the number of individuals with access to medical insurance is diminishing. That is unacceptable. The harsh reality is that 45 million Americans have no health care coverage, including 275,000 West Virginians.

That is 275,000 West Virginians who cannot take even the most basic steps to ensure that their health and their lives are not in jeopardy. That is 275,000 West Virginians who may be unaware that an illness or a disease is preparing to spread unabated throughout their bodies.

Today, technology enables doctors to discover and treat diseases faster than ever before, and, in many cases, cure these diseases before their effects are irreversible. It is unacceptable—unacceptable—that more and more Americans cannot take advantage of new technological tools to discover problems early. It is past time to do something for these citizens.

The current health care crisis hits small businesses especially hard. Small businesses often pay the highest rates for health care benefits because they lack the power to negotiate with big insurance companies. One innovative solution is for small businesses to be able to join together—join together—to ensure that their employees have access to affordable health care.

That is why Senator OLYMPIA SNOWE and I have introduced the Small Business Health Fairness Act of 2005. The purpose of this bill is to enable small businesses in West Virginia and around the country, like corner grocery stores, like the little store my wife and I had once upon a time, restaurants, and hardware stores, to offer health care coverage for their workers.

Hard-working Americans employed by these businesses deserve affordable health care. A waitress working the night shift to provide for her child is every bit as deserving of health care benefits as the CEO of the largest corporation. A clerk in a family store should not be priced out of basic health care coverage simply because he works for a small business. There are 275,000 stories like this in West Virginia, and the Federal Government should be taking actions to help these people.

While I agree in part with the goals of the bill before us, there are important differences between the bill offered by Senator SNOWE and myself and the Enzi bill. The Snowe-Byrd bill, unlike the bill proposed by the very distinguished Senator from Wyoming, Mr. ENZI, does not preempt State law by erasing all preventative health tests and treatments. These mandates are the core medical services which are already part of many existing health plans.

The amendment I am cosponsoring, with the very able Senator from Maine, proposes to simply put some of the safeguards back that were eliminated by the Enzi bill. Our amendment provides small business workers with guaranteed access to the most important health care screening and services. It is imperative to include procedures guaranteed to catch diseases before the damage can be done. Our amendment guarantees patient access to procedures such as mammography screenings and screenings for prostate and cervical cancers. It is necessary in my State of West Virginia to make sure that diabetics have access to the supplies they need to regulate their blood sugar levels and to allow for maternity stays to assure the well-being of both mother and child after childbirth. Basic requirements such as these are essential keys to the health of all Americans, including those who work for small businesses. That is why Senator OLYMPIA SNOWE and I want to offer this amendment. Why prohibit such lifesaving tests? These are basic questions I am asking. Why offer half a loaf to small business employees?

I never ceased to be amazed by the medical advancements that have occurred during my lifetime. It is absolutely amazing, unbelievable, these advances that have occurred—penicillin, modern X-ray machines, laser surgery, CAT scans, PET scans. Each day, every day doctors and researchers make critical discoveries and develop new technologies that help people to enjoy longer and healthier lives. And still, too many of our people are unable to take advantage of such advancements. They cannot afford to do so because they lack insurance. We have a moral obligation to find ways to help families gain access to lifesaving medical care. Millions without health care insurance go through life hoping, praying that they will not get sick or will not face a catastrophic medical complication. Living a life free from worries about health care coverage should not be a privilege. It ought to be a guarantee in this country.

While Senator SNOWE's and my amendment could vastly improve vital coverage currently left out of the Enzi proposal, unfortunately, it looks as though the Senate will not have the opportunity to even vote on the amendment. Our bipartisan amendment, offered to better the bill before us, will never be allowed—ever—a vote in this Chamber. This is not the way the Senate should conduct its business. Purposefully blocking and disregarding amendments on an issue as vital as affordable health care does a disservice—I say again, a disservice—to our people and to this institution. The Snowe-Byrd amendment would make an important improvement to the bill before us.

Why employ a legislative maneuver that blocks attempts to improve health care options for small businesses and for their employees? Why? Why? Instead of blocking important amendments, the Senate ought to get to work on improving health care for the 45 million Americans, including 275,000 West Virginians, without health insurance. The lack of affordable health care in this country has reached crisis proportions. Why is that? Why is the Senate cutting off debate?

We should be working together in this Senate to find ways to help our people afford health care insurance. We should be discussing the May 15 enrollment deadline in the new Medicare Part D Program. Why can we not have a vote on extending this deadline? Why, I ask, and I ask and I ask again, why, after hearing from millions of the Nation's senior citizens and their worries about the deadline, are we not even talking about their concerns? My office has received hundreds of calls from concerned senior citizens. This is a pressing issue that requires our attention. Yet due to the actions of the leadership, the Senate is being held hostage. To what? To a deadline. Our senior citizens, whose sweat and blood helped to make our Nation great, are now being told that time is up for them. They must choose a health plan immediately or face financial penalties.

Because of the complexity of the new Medicare Part D Program, it is only right that our senior citizens be given time to understand their options and make informed decisions when selecting drug coverage. But instead, our elderly citizens are being told to hurry up or face penalties. That is just not good enough for the greatest country on Earth. Where is the compassion that our country is so known for? What is so almighty sacred about Monday, May 15?

It is unbelievable that important improvements to the Enzi bill will probably never receive a vote. It is a disservice to the small business employees and owners who deserve relief from the health care crunch. It is absolutely ridiculous that the Senate will not be permitted to consider pressing health issues for our senior citizens, the people who have worked so hard for so many years to build this great country.

I urge Senators to reject this process by which we are being gagged and denied a vote on these critical health care issues.

I yield the floor. I thank all Senators.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. THOMAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THOMAS. Mr. President, I have been watching the interesting debate for some time. Of course, it is interesting and there is a great deal involved. Fortunately, we are having a debate. However, it seems to me that much of it has been very complicated. Some have had charts and details. It occurs to me that basically it is a broader issue than that, one that frankly divides the two sides of the aisle. We have had deficits that are larger than they ought to be. They were brought about by events such as September 11 and Katrina and those kinds of things. Just like in your family and your business, you have to go back and do something about it. However, this is one of those decisions that defines the direction we want to take in this country.

Choices are before us all the time. From time to time, we have hard decisions to make that are quite broad. I think those of us on this side of the aisle are interested in trying to have a strong economy, one that provides jobs and growth in the economy, and we are doing that. That is a good thing. I think at the same time we are looking for a Government that is smaller and less expensive and that spends less. To do that, of course, we want to have less taxes so the money can be invested in the economy and jobs can be created. That is precisely what we are seeking to do.

The other point of view—I understand it, but I don't agree with it—is that we need to basically spend more and, therefore, you need more taxes. You would have more Government involved in more and more things. You get down to a broad decision, and that is where we are. I know every detail is a little different; on this issue it is here and that issue it is there, but you have to kind of put them together in the overall picture and see where we are going.

I guess I have tried to kind of avoid some of the details but to look at what I think the broad directions are in the votes we are having today. Do you want less Government, with more emphasis on the private sector, more emphasis on job development, more emphasis on less taxes, and more involvement with the growth of the economy or do you want more Government, with more spending and more taxes? That is the issue. I think it is fairly simple.

I know there are a lot of details and arguments and I know people have different ideas about it. But the fact is that the other side of the aisle has been for more taxes and spending. We have tried to reduce taxes on this side and, hopefully, we will be able to reduce the size of Government and do something about the deficits, not by more taxes but by less spending. That is our decision. I think it is fairly simple. I certainly encourage our effort. This is not to reduce taxes; it is continuing reductions that we have had in place that have supplemented and strengthened the economy. It is pretty clear.

The deficit talk that we have heard and seen on the charts—that has gone on for several years. Yes, we need to do something about that and reduce spending. I am for that. I am encouraged that we can hold down taxes rather than letting them go back up again, so that we have more jobs, a better economy, and we can operate in that fashion. I hope that we are able to continue this reduction.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, a few days ago, at Lincoln Center in New York City, illusionist David Blaine completed a week in a water-filled bubble. He then got himself chained up, got rid of his air hose, and tried to escape from the chains, while setting a world record for holding one's breath underwater. His goal was to hold his breath for 9 minutes.

His feat was impressive. But he failed. After 7 minutes, he had to be let out of the remaining chains. He had to be rescued.

This bill also contains an illusion. This bill's illusion is paying for tax cuts with further tax cuts. Like Mr. Blaine's illusion, this bill's illusion also fails.

I give Mr. Blaine a lot of credit. He does his illusions in full view of the public—an open water bubble in the middle of New York City.

The tax bill does its illusions in the dark—outside the budget window.

Some of those viewing Mr. Blaine in New York City thought he had a lot of chutzpah to try his feat. The sponsors of this tax bill also have a lot of chutzpah if they think they can balance one set of tax cuts with another set of tax cuts—and call that fiscal responsibility.

Mr. Blaine called his stunt ''Drowned Alive.'' That also a fitting name for what this bill would do to the American taxpayer.

I am talking about section 512 of this bill. That section would remove the income limits on conversions from traditional IRAs to Roth IRAs, effective in 2010. Under this provision, all who convert their IRA accounts in 2010 get a tax break—2-year averaging of the taxable amount of the conversion, with payments to be made in 2011 and 2012.

Why does the bill contort these changes into 2010 through 2012? There is an easy explanation. The conferees wanted to raise money in 2011 through 2013. They needed money on those years to help cover the cost of extending capital gains and dividends cuts. And they needed to cover those costs to avoid a point of order under the Byrd Rule. So a 2010 effective date and the funneling of transfers into 2010 serve a clear purpose.

The sleight of hand is that a provision that loses money—billions of dollars a year—in years beyond the budget window are made to pass muster as a revenue offset provision. The illusion is to call this provision a revenue raiser.

How does this provision raise revenue? It encourages taxpayers who earn more than $100,000 a year to transfer traditional IRA balances into a Roth account. These taxpayers would pay taxes in the short run on traditional IRA balances and get tax-free investment income later.

Take for example a taxpayer with an IRA holder who makes $120,000 and is covered by an employer-sponsored retirement plan. Say that this taxpayer contributes to a traditional IRA. Under current law, the contributions would not be deductible. At retirement, the taxpayer would pay ordinary income taxes on the invstment earnings—what tax advisers call ''the inside buildup.'' But the original contributions would be returned tax-free. They would be what tax advisers call ''basis'' in the account.

In 2010, say that the taxpayer takes advantage of the new law we create today and converted the traditional IRA to a Roth IRA. In 2011 and 2012, the taxpayer would pay taxes on 50 percent of the investment earnings that were in the account. At retirement, the taxpayer could withdraw any additional buildup in the account tax free.

So the provision would raise revenue by taxing the conversion in 2011 and 2012. Then the provision would lose revenue when withdrawals were made from the account in the future.

The provision would thus borrow from our children. The conferees felt a need for revenue in 2011 and 2012 to pay for a 2-year extension of the capital gains and dividends cuts. So this bill would take the revenues from the future and claim them now.

The philosophy of this bill is: Let's just spend it now. Let our children figure out how to replace the revenue that would have been collected 10 or 20 or 30 years from now.

How much revenue would this provision take from our children? The Joint Tax Committee's revenue estimates show losses of more than $1 billion in 2014, 1.2 billion in 2015. To get a good idea of the longer-term losses, we asked the Joint Tax Committee to provide us with an estimate for the same provision, but effective in 2006 instead of 2010, so we could confirm that there will be revenue losses further down the road.

Under the joint tax rules, you have to ask them for it beginning this year because they can provide the estimates.

If you ask them beginning in later years, under their rules, they will not do the math. We asked them to do the math and we asked if it went into effect this year.

Mr. President, I ask unanimous consent that the Joint Tax Committee's response appear at this point in the RECORD.

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

CONGRESS OF THE UNITED STATES, JOINT COMMITTEE ON TAXATION, LONGWORTH HOUSE OFFICE BUILDING,

Washington, DC, May 9, 2006.

MEMORANDUM

To: Pat Heck, Judy Miller, and Ryan Abraham

From: Thomas A. Barthold

Subject: Revenue Estimate

This memorandum is in response to your request dated May 3, 2006, for a revenue estimate of your proposal to eliminate the income limitation on conversions from a traditional IRA to a Roth IRA. Under your proposal, any amount otherwise required to be includible in income as a result of a conversion that occurs in 2006 may be included in income in equal installments in 2007 and 2008. Your proposal would be effective for taxable years beginning after December 31, 2005.

We estimate that your proposal would have the following effect on Federal fiscal year budget receipts:

FISCAL YEARS

[Billions of dollars]

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006–10	2006–15
Eliminate the income limitation on Roth IRA conversions; taxpayers can elect to have amounts converted in 2006 included in income in equal installments in 2007 and 2008	−0.1	1.8	3.4	1.0	−1.1	−1.5	−1.7	−1.9	−2.1	−2.3	5.0	−4.5

Mr. BAUCUS. The Joint Tax Committee estimated that the pattern of increasing revenue losses continues, growing about $200 million a year. So by 2020, the loss would be over $2 billion a year. That extrapolates to $3 billion a year by 2030. In other words, this bill would take $2 to $3 billion from our children, every year, to pay for a 2-year extension of capital gains and dividends rate tax cuts, which we know would not go into effect until January 1, 2009.

That troubles me, and it should trouble all my colleagues.

The conferees made bad choices in putting this conference report together. American workers need an extension of the Saver's Credit that expires after 2006, but get an extension of a capital gains and dividends cut that does not expire until 2009. And the bill purports to pay for those tax cuts for with a Roth IRA conversion provision that starts losing revenue by 2014 and has losses that balloon outside the budget window.

There are so many reasons to vote against this report. The use of a tax cut to allegedly pay for another tax cut is just one symptom of a seemingly irresistible urge to put wants before needs. I encourage my Colleagues to join me in voting for setting the right priorities. I urge them to vote against this conference report.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I spoke this morning about the bipartisanship and the origination of the idea behind the Roth IRA conversions, and how Senator Bentsen was the inventor of that idea, and how it had such broad bipartisan support. I supported it. It also had bipartisan support when Senator Roth introduced the bill. It had passed the Senate so many times by big, bipartisan margins.

We hear people on the other side of the aisle badmouthing an idea of one of the most esteemed Members of their party in the history of the Senate, Senator Bentsen of Texas, who was chairman of this committee in 1991, 1992, and was going to be chairman in 1993 and 1994, but he became Secretary of the Treasury. Now all of a sudden it becomes partisan that we are including that idea in this legislation. I don't understand it.

I have this response to what was said. I heard my friend on the other side try to argue that the provisions in the conference report that will allow taxpayers to make Roth IRA conversions is a budget gimmick. Was it a gimmick when Senator Bentsen introduced it? It is not a gimmick. Nothing could be further from the truth.

The Roth IRA conversion provision generates real Federal revenue. In fact, the nonpartisan Joint Committee on Taxation estimates that the provision will generate $6.4 billion in Federal revenues over the next 10 years. This is a provision with longstanding bipartisan support in the Senate.

The Democrats have also tried to argue that the Roth IRA conversion provision will actually make the Federal deficit worse in the long term. That, too, is not true. Roth IRA conversions merely change the timing of when individuals must pay tax on their retirement savings, accelerating tax payments in the case of those who convert. It does not result in a net change in Federal revenues over any long-term period.

In addition, critics choose to ignore a reverse effect of the various retirement savings incentives. Because congressional budget estimates are done on a 10-year basis, these estimates ignore distant revenue gains as well as losses. Because tax incentives for retirement savings basically and typically are front-loaded, the 10-year budget estimates generally reflect only large losses of Federal revenue. These estimates ignore the fact that the Federal Government will recoup the tax on that money and the associated investment gains when it is distributed later in retirement.

From a budgetary standpoint, the Roth IRA conversion provision only balances out a small part of this effect. If anything, this provision has the potential to actually increase receipts over a long period of time because it will lead to higher tax compliance as folks voluntarily pay their tax up front.

This provision brings in real money into the Treasury, it is good, and, most importantly, it is bipartisan—or I guess it used to be bipartisan. Today it is very partisan, and that is something I don't understand. How could you as Democrats be for something over the 1990s and not be for it now? Is it because maybe the Republicans are in the majority? It just doesn't make sense.

I yield the floor.

The PRESIDING OFFICER (Mr. COLEMAN). The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I wish to call attention to a saying that is kicked around here quite often: When you are in a hole, quit digging.

We are approaching $10 trillion in debt, and the majority—and I respond to my friend and colleague for whom I have great respect, the Senator from Iowa, the chairman of the Finance Committee—is not dealing in a typically bipartisan fashion when conferences are held without the minority being invited to participate.

There is, in case no one noticed, a Republican majority Senate, a Republican majority House, and the White House is occupied by a Republican President. It is fair to say that what we see happening reflects directly the will of the majority.

As we look at approaching $10 trillion in debt—and we just approved it; it is going up to $9 trillion—the majority wants to continue the lifespan of the Bush tax cuts to add another $70 billion to our debt. I find it incredible.

None of us have an exclusivity of knowledge—none of us. One can argue about whether an additional tax cut has value in increasing revenues, about where that money is spent when it gets into the hands of those who get the largest part of it.

There is another side to this that I think deserves examination, and that is we have done the tax cut thing, and where are we? We are deeper in debt. There is a song that goes: The harder I work, what do I get? I get deeper in debt.

When I see that we just increased the debt limit and we are about to push up against it pretty closely, we now want to add another $70 billion to our debt, I think it is a subject for fair debate, whether it is good for business or isn't.

I come from the business world, and I ran a very successful company. The company I started with two other friends now employs 40,000.

We have ideas that have been thought out, and I think this is a fair place to express them.

I know the other side of the aisle likes to say these are tax cuts to help everyday people, but I want to do a reality check. Those who earn over $1 million a year get 22 percent of the tax breaks in this bill. That is a very small percentage of the wage earners in this country.

Millionaires get an average tax cut of almost $42 thousand—41,977, to be precise—while those earning from $40,000 to $50,000—I want to point this out, millionaires get an average tax cut of about $42,000, while those earning from $40,000 to $50,000 a year get an average tax cut of $46.

I got some gas the other day and one tankful cost over $60. When you get an average tax cut of $46, my advice to those who get it is: Don't spend it all in one place; $46, distribute it around; maybe buy a little boat or something so you have some fun with it.

The last time we complained about unfair tax cuts such as this, one of our Republican colleagues actually accused us of ''persecuting millionaires.'' Alas, what a pity, that we should be so biased in our statements.

If Republicans were more concerned about helping the middle class in this country, we would all be better off—all of us. The best idea we have seen from the majority recently was to give everyone $100 to help with soaring gasoline costs. Maybe that ought to be accompanied by a statement that says if you go to Las Vegas or buy a lottery ticket, perhaps you can really hit it big. Mr. President, $100, how do you use that? We now know how little $100 is, and the offer is offensive, so offensive that it was quickly withdrawn when people said: This doesn't make any sense. What do we do for people? Giving them a $100 gift certificate, if I can call it that.

Gas prices are out of control, wages are stagnant, more and more working people are losing their health insurance, and the Republican side of the aisle is admonishing us about persecuting millionaires.

I know some people who made money in their lifetime. I know if you want to buy a particular airplane, a G–5, that you have to wait 2 to 3 years to get it delivered. It costs $30 million. If you want to add some amenities, it can get up to $40 million. But there are so many people wanting to buy them, you have to wait years to get delivery. Yachts that are over 150 feet, that is a 2-year wait.

It looks like there is plenty of use for that $42,000 tax break.

President Bush and the Republican majority in Congress have lost all sense of fiscal discipline. When the President took office in 2001, he inherited a rosy fiscal picture, a better one almost than any President in history. We had a $236 billion budget surplus. We thought we would pay off the entire national debt by the end of President Bush's first term. But now we are on a track to double our national debt by 2011.

President Bush holds the Nation's credit card. We are the bank, and he keeps asking us to raise his credit limit, also commonly called the debt ceiling. In 2002, Republicans raised the debt ceiling by $450 billion, and in 2003, they raised the debt ceiling again by a record $984 billion. And despite the earlier admonition, in 2004, they dug the hole deeper by adding another $800 billion to the debt ceiling. When will this stop?

Then just 2 months ago, they squeezed through another $781 billion increase in the debt ceiling. So now we will owe the Chinese and other countries this money as we beg them to buy our bonds.

These numbers are so large that it is hard to relate to them. I think that is exactly what President Bush and Republican colleagues are counting on.

By adding nearly $4 trillion to our debt, we add a bill to every American of over $13,000 that has to be paid off in the future. Your kids, my kids, everyone's kids will have to pay it back with interest. It is time to get serious about fixing our Nation's financial condition. We can't continue to run record-setting budget deficits year after year, and we can't keep increasing our debt like it doesn't have to be paid off by future families and wage earners.

President Bush and the majority in Congress are doing long-term harm to our economy, to our standing in the world just by throwing more money at people who don't need it or, in many cases, don't even want it.

We have to stop conducting ourselves like the proverbial drunken sailor, like the guy in Las Vegas who is about to bet the family farm on the turn of a wheel. We should not be passing our endless debt on to our children and as the legacy for our grandchildren. I hope we will see votes against this irresponsible tax bill. I hope people on the other side of the aisle—and we can agree that maybe we ought to take a deep breath, step back, and not just casually increase the debt limit while we fight to give the millionaires an average $42,000 tax break. It is really something when we think about it.

Tax cuts for millionaires. We could send 1.9 million children to preschool. This tax cut that is designated to go to the millionaires could be used to give health care to 8.7 million uninsured children. Is that a better thing to do, I ask you, than to give those who make over $1 million a year another $46,000? I would rather give the health care to 8.7 million uninsured children. I can tell you one thing: There are no children of those who stand here who are without health care—not one. But there are hundreds of thousands of children—millions, I should say—who are uninsured; 8.3 million uninsured children.

Tax cuts for millionaires could send 2.8 million young people to college. Tax breaks for big oil, as we have given to them, could keep college tuition tax deductible for 6.4 million students and their families. We give tax cuts for millionaire investors instead of tax credits to help poor people save.

I hope we will stop passing along endless debt to our children and our grandchildren. Our legacy would best be shown as an indication that we want this country to be stronger domestically. We want our country to be stronger when it comes to military engagements, and we are failing that—failing that. If you read the papers—contrary to what I heard from our Secretary of Defense the other day about how everything is OK and we have enough people to do what we want to do—recruiting is way down and under pressure. So I think it would be a good idea if we got together at this point and said: OK, let's agree that our legacy to our children is going to be eliminating or reducing the debt that we are placing on their shoulders. And instead saying: If you want to go to college, you don't have to end your college career with a debt of $50,000 or $60,000 or, in some cases, much more. If we want to leave a real legacy, something of value to our children, then we have to say we want an Earth that is free of contaminants in the air that our kids breathe. We want to stop global warming. Some on the other side say it is a hoax, global warming. Ice floes are coming off of Antarctica. I was there and visited Antarctica and the South Pole. You can find there chunks of ice floating that are bigger than some States. Kilimanjaro is about to see the last of the snow that has been there since time immemorial. Glacier Park is soon to be without glaciers. What does it take? Those are the items of legacy that we ought to be talking about.

We want the air to be better so that when children are growing up, they are free from asthma attacks on their respiratory system. If we want to give our kids something to be grateful for, let's clean up the waters that surround us and make sure that we are not going to be overflooding lands across this globe, with global warming creating melting seas.

I hope we will be able to muster the courage to say: Don't increase this national debt any more than we already have done, and don't give tax breaks to millionaires who don't need or want the money—$42,000 in tax breaks if you have a $1 million income. That is a pretty sizable bite. I don't think it is fair to say that Democrats are too stupid to see the advantage of these tax breaks.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The majority whip is recognized.

Mr. McCONNELL. Mr. President, in spite of unprecedented shocks to our economy, terrorist attacks, corporate accounting scandals, rising energy prices, and natural disasters, our economy is incredibly strong. It is not an accident that our economy is so strong; it is a byproduct of policies proposed by President Bush and the Republican Congress that encourage Americans to work hard, keep more of their own money, and invest in the economy.

Let's look at the facts. One of the most important components of this Tax Increase Prevention Act that Congress initially passed in May of 2003 was the tax relief on capital gains and dividends. Since enactment of that important tax-reduction measure back in 2003, we have seen absolutely remarkable economic growth and job creation. More Americans are working than ever before, the economy has created over 5.2 million jobs since August of 2003, and we have witnessed 32 straight months of job growth.

Take a look at this chart. It is no accident. The red lines going down represent job growth as late as early 2003, and then we acted with the tax relief package in 2003. There was a very dramatic turnaround in job growth beginning in August 2003, and it continues through today—5.2 million new jobs since we got the tax burden down on the American people. Americans are willing to invest more now because they will be able to keep more of those earnings.

Unemployment remains very low, at 4.7 percent. Of course, we will not rest until every American who wants a job has one. But the fact is that the current low, low rate of 4.7 percent is lower than the average unemployment rate of the 1960s, the 1970s, or the 1980s. It is even lower than the average rate in the 1990s, which our Democratic colleagues would have you believe is the golden period of economic progress.

From the time since the tax cuts to the beginning of this year, which is the latest period for which we have numbers available, America has created more jobs than the European Union-15 and Japan combined.

Let me repeat that. From the time since the tax cuts to the beginning of this year, the American economy has created more jobs than the European Union-15 and Japan combined.

Economic growth remains strong. The economy grew at a rate of 4.8 percent in the first quarter of 2006.

Businesses are investing in our economy because of the 2003 tax cuts. This chart shows that business investment has increased for 10 consecutive quarters, averaging 9 percent growth over that period.

Americans are willing to invest more because they will be able to keep more of these earnings. The stock market is up more than 3,100 points since May of 2003. It has gone from 8,454 on May 1 of 2003 to 11,639 on May 10 of this year, nearly a 37-percent increase in the stock market since we originally acted in 2003 to get the tax burden down on the American people. It is not only good news to Wall Street, but really good news to the folks with pensions and savings on Main Street.

Americans have more money in their pockets. Their real after-tax income is up 8.2 percent since President Bush took office. Over the past year, it is up 2.2 percent.

Consumer confidence is at a 4-year high—a 4-year high.

We cut the tax rate on capital gains, and tax revenues from capital gains have increased from $58 billion in 2002 to $78 billion in 2005. Tax collections are up 14 percent over the past 12 months, even though we have reduced taxes. By the way, revenue is up for State governments as well as a result of this booming economy.

We must never forget that Government does not create growth; entrepreneurs, risk-takers, and hard-working Americans create growth.

However, Government, through its tax, spending, and regulatory policies, obviously can establish an environment that strangles growth or allows it to flourish.

This body, by lowering taxes in 2003, is making growth flourish. These policies have been a resounding success—a resounding success—and the Senate clearly needs to extend them to project this booming economy into the future.

We ought to reject efforts from the other side of the aisle to reverse this course and increase taxes by $70 billion on the American people. Clearly, that is a bad idea.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. SANTORUM. Mr. President.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I am happy to be here in strong support of a bill that I guess I was somewhat responsible for in giving its title to: the Tax Increase Prevention Act. We first called this a jobs or growth package or something such as that, but that is not what it is. Taxes are going to go up if we don't extend these provisions to allow people to keep more of their own money, to not have the alternative minimum tax kick in that is going to affect over 350,000 taxpayers in the Commonwealth of Pennsylvania. They will have to start paying the alternative minimum tax. As an AMT payer myself, I can tell you: You don't want to pay this tax. This isn't fair for increasingly average-income people who, if we don't fix it today, will now be thrown into this alternative minimum tax situation which will cost them thousands of dollars in their tax bill. We stop that from happening. The problem doesn't go away, though. We need to continue to work on this to make sure we don't have this problem into the future.

The second thing we do is capital gains and dividends. Capital gains and dividends is a vital part of the growth that we have seen in our economy. Since we passed them, we have seen 5.3 million new jobs. We just heard the Senator from New Jersey talk about how the benefits of capital gains and dividends all go to these high-income individuals. What he forgot to mention was the 5.3 million people who have jobs today in large measure because of the tax policy that we put in place in 2001 and 2003. So while they may get a small financial benefit—although every financial benefit, depending on your income level, is a benefit—the fact of the matter is, in many of these cases, over 5 million cases, they have a job, and they have a job paying at 20 percent above the average compensation of most jobs in America. So these are good jobs. These are jobs that are family-sustaining jobs, and these are jobs I am sure these 5.3 million people—net new jobs that we have—are very happy to have.

I will tell you what. I bet if we polled all of those folks who received those jobs in the last few years, they would be happy to have someone who created that job, who had a tax incentive to grow their business so that they could, in fact, invest to make that job possible for them. They are very happy to have someone who had a tax break because of a capital gains rate reduction or a dividend rate reduction or the AMT not being in place or the marginal rates being lower or having an expense of capital equipment as a small business. Those folks would be very happy to get these jobs, from 2003 to today, I am sure, to allow that tax break to be in place so they could have the job in the first place.

That is what we are talking about. We are talking about growing the economy by investing in small businesses, by investing in people who are creating economic activity, who are creating jobs, who are building wealth, who are creating a better economy for all of us. When we passed this legislation in 2003, the unemployment rate was 6.1 percent. It is now 4.7 percent. In Pennsylvania, it is below that. We have had a great run, as Senator MCCONNELL talked about. The stock market is at all-time highs. That doesn't just mean wealth for people who own stocks and trade. We are talking about pension funds; pension funds which were on the brink and are still having problems. But can you imagine what we would be debating in the pension reform bill that we are trying to pass if we had the market at 20 or 30 percent below where it is today. A lot more pension funds would be in trouble. A lot more folks would not have the savings they have to be able to enjoy their retirement.

A lot of good things have happened because of the tax policy we have put in place.

Let's talk about the deficit. The Senator from New Jersey—I love to hear people get up on the other side of the aisle and gnash their teeth and woe, how terrible it is about these huge deficits—I mean huge deficits—when we are talking about letting people keep their money. But when it comes to spending their money, we never hear a word about deficits on the other side of the aisle. Never. We went through the process of a budget, and amendment after amendment, billions after billions after billions, hundreds of billions of dollars of amendments were offered on the other side of the aisle to spend more money, to increase the deficit by spending more money and not one word about how bad the deficit is. No. If Washington spends it, if the bureaucracy spends it, if we are growing the size of government, we are OK with bigger deficits. We only have a problem with deficits if we let you keep your money. Then there is a problem. This is the kind of misguided economic policy which the American public thankfully has rejected time and time again.

I am very proud to be here today to say I am on the side of the taxpayer. I am on the side of the people who are the middle-income folks today and who are not going to see their taxes go up this year because of the alternative minimum tax. They are going to see capital gains and dividends policy extended for a couple more years so we can continue to see growth in our financial markets, more responsibility in the corporate board room, the kind of benefit to the average taxpayer where 28.1 percent of Pennsylvania tax returns claimed income from dividends. Over half of that money came from returns—over half of those returns have an average adjusted gross income of under $50,000.

We are looking at, not high-income people claiming dividend income but a lot of my seniors—and I don't have a lot of high-income seniors as a percentage compared to some of the other States where folks retire in the South. We have a lot of moderate- and low-income seniors, and that dividend income is a big deal. Not having to pay those taxes—it may only be $40 or $50 to the Senator from New Jersey, who doesn't have to worry about $40 or $50, but there are a lot of folks who worry about $40 or $50.

I hear complaints all the time from the other side of the aisle: When it comes to prescription drugs we can't have a $2 copay or a $3 copay. It has to be a $1 copay or something like that. Or we can't increase it by a dollar or two. Then they throw off $50 in a tax break as if it means nothing. Again, the idea if it is Government, it is OK; if it is letting people keep their money, it is not OK. It is OK in the minds of most people to have the people who earn the money, who made the investment, be able to keep the investment, get the fruits of their labor or wise investment, and be able to keep as much of it as possible. That is what this bill does.

I am proud of the fact we have been able to make this happen. We have not concluded the exercise. We have more work to do on the tax side. I have been a staunch advocate of making sure that we do something this year to help our charities. Over the past 25 years we have seen charitable giving go down from 2.5 percent of GDP to under 1 percent. That is not to say we are not a generous country, but the bottom line is we are not giving as much as we have in the past. I think part of that is the tax structure that we have. We need to create more incentives for folks to give to those who are helping millions of people across this country in need. The charitable giving package I continue to fight for in the followup tax bill that is coming along, we need to get that done. It is something vitally important.

There are several other issues we are working on in that second bill that, in the interest of time, I will not go into. But I will tell you there is more work to be done. This is a good start. This is a solid start on a package of legislation that is going to stop taxes from going up. This is not a tax reduction, this is a tax increase prevention, and that is the least we should do at a time when we want to keep this economy growing.

I yield the floor.

Mr. HATCH. Mr. President, I rise today to applaud the conferees for successfully concluding the negotiations and giving us a tax reconciliation bill that I believe fixes glaring problems that would otherwise punish millions of American families. The provisions in the conference report before us today will also help to perpetuate the strong growth our economy has experienced over the last 3 years that has created millions of jobs for Americans. I want to exhort my colleagues to give their support to the conferees' efforts and vote for the passage of this conference report.

One major problem the conference report addresses is the fact that the alternative minimum tax is due to hit tens of millions of American households this year had it not been temporarily fixed. The "fix" provided in the bill before us is by necessity only a 1 year "Band-Aid," so our tax writers will have to address this issue once again next year. Without this provision over 18 million households would unexpectedly find themselves bereft of deductions and facing a higher tax bill.

The alternative minimum tax is Exhibit A for the law of unintended consequences in the tax world. Originally created as a response to news reports that a few millionaires were using available deductions to not pay any taxes at all, this provision, which is essentially a parallel tax system to our "normal" tax system, is on pace to snare tens of millions of households in just a few years unless repealed or reformed permanently. It is only the projection of major revenues from this tax that keeps us from discarding it completely.

The alternative minimum tax is an especially pernicious tax for Utahns, as it unduly burdens large families by disallowing the exemptions for dependent children. A family of six earning $90,000 a year pays enough taxes as it is without us taking away their exemptions.

While the fix of the alternative minimum tax is welcome, I believe the most important provision in the reconciliation bill is the extension of the lower tax rate on dividends and capital gains to 2010. This provision has proven to be a boon for economic growth since it was added to the code in 2003.

The revenue cost of this lower rate has been very slight we collected more tax revenue from dividends and capital gains last year than we did in 2002, the year before we reduced the tax rate. In fact, total Federal revenue growth has been simply tremendous the past 2 years as the economy has taken off. Revenue grew more than 14.5 percent last year and is growing at more than 11 percent this fiscal year, well above the predictions made by CBO.

The benefits of the lower tax rates on dividends and capital gains has been higher economic growth. The way it works is simple: a lower tax on investment income means that investors get a higher return from their investments, thus spurring them to save more. Greater savings means that firms find there is more money available for them to use to increase production and improve the productivity of their workers, both of which ultimately lead to an increase in economic growth.

Moreover, the money invested is used more effectively with a lower tax on capital gains. Capital is not locked up in long-term investments held in order to avoid paying the tax. As a result, capital flows to the most productive investments, and economic growth is maximized. A vibrant, dynamic economy benefits from flexibility, both in the labor market and the capital market. Our 4.7 percent unemployment rate and 2 million jobs created in the past year, on top of a total of 5.2 million new jobs created since August of 2003, testify to the strength of our labor market. The $52 trillion of net wealth in this country, which increased by 8 percent last year, is a manifestation of the strength of our capital market. The Dow Jones Industrial Average is also nearing its all-time high, in no small part due to the tax policies of this country.

The benefits of economic growth are in ample abundance in Utah, where the current unemployment rate is just 3.4 percent, while wages increased last year by nearly 4 percent.

I am also pleased to see the extension of the small business expensing provision, which has been very important to business investment in this country. Another important provision included in the conference report is the 2-year extension of the active financing exemption under subpart F, which allows many of our U.S.-based multinational firms to remain competitive with their foreign counterparts.

We need to remember that taxes are only a means to an end. Ultimately, a primary goal of the government needs to be to ensure the continued prosperity of its citizens, and our Tax Code should be constructed with that purpose in mind. Our Tax Code is by no means perfect; and I could litter this discussion with references to the hundreds of exceptions, exemptions, credits, ill-advised deductions, dubious penalties, and needless complexities that should not be in there. But fixing the myriad imperfections of the tax code is a task for a later Congress and was not the assignment of the conference committee. What they did accomplish was figure out a way for us to keep a provision that has been a boon to our economy for another 2 years. I fervently hope that by the time this provision is next due to expire, or even before then, that my colleagues can see how important it is to have a Tax Code that encourages saving and investment. A lower tax rate on dividends and capital gains is a modest step towards that goal, and one that has cost us little or no revenue in return.

At a time of growing prosperity, it is important to continue with the policies that have contributed to that prosperity, and that is exactly what this bill has done. I urge my colleagues to support its passage.

The PRESIDING OFFICER. Who yields time? The Senator from South Dakota.

Mr. THUNE. Mr. President, in probably a few minutes we are going to be voting on whether to extend the tax relief that was passed by this Congress in 2001 and 2003, and thereby give the markets in this economy some certainty about what the rules are going to be. Frankly, that is something that investors need to know. They need to know for tax consequence purposes whether Congress is going to be changing the law, whether Congress is going to be raising taxes.

I think there is probably no better issue that illustrates the differences in philosophy between the two political parties in the Senate than does this one because it is the question of who spends the money. Do the American people spend the money? Do the taxpayers in the country get to spend their own money? Or do they send it to Washington, DC, so the politicians can spend it?

You have heard a lot of debate from both sides on this issue. If you look at the statistics, it is pretty clear that beginning in 2003—of course, there were tax cuts in 2001 and then subsequent tax cuts in 2003—the economy has behaved in a remarkable way. That proves, once again, that the lessons of history have a tendency to repeat themselves.

If you go back clear to the 1920s under President Harding when you cut taxes, when you cut marginal tax rates, you get not less revenue but you get more government revenue. It happened in the 1920s under President Harding, it happened in the 1960s under President Kennedy, it happened in the 1980s under President Reagan, and it is happening today.

If you look at the U.S. economy today, again in the first quarter of this year, there is 4.8 percent growth, the fastest rate in 2.5 years. The economy has been growing for 17 straight quarters. The average growth rate last year was 3.5 percent. There were 211,000 jobs created in March, 2.1 million jobs in the last 12 months, and more than 5.2 million jobs since August of 2003.

The unemployment rate has fallen to 4.7 percent, lower than the average of the last three decades, and led by strong home values and a steadily rising stock market; household wealth is at an all-time high, reaching $52.1 trillion in the fourth quarter of 2005; home ownership remains very close to its all-time high, more than 69 percent reached in early 2005.

As I said earlier, the ironic thing about this is the assumption that is made by many on the other side. You go back to 2003. The Democratic leader said:

> The tax cuts didn't work to stimulate the economy during the Reagan years and they are not working now.

That was the suggestion made in 2003 by our colleagues on the other side. Yet, again, the facts have borne out a very different story. That story is an incredible response to the tax relief, a growing economy, record numbers of jobs, and ironically—people might think this is counterintuitive—when you cut marginal tax rates, when you cut capital gains rates, you get not less Government revenue, you get more.

That is exactly what we have seen here. The Government revenues between 2004 and 2005 increased $274 billion, a 14-percent increase in Government revenues between 2004 and 2005. Between 2005 and 2006, the first 8 months that we are measuring for this year, Government revenues are up 11 percent, another $137 billion over the baseline of what was projected previously.

So when you add that up, the fact that we are creating jobs, growing the economy, raising more revenue for the Government not less, we have again unemployment at an all-time low. And how do our colleagues on the other side want to reward that? With a big, fat tax increase because essentially if we don't extend these tax cuts. What we will in effect be doing is raising taxes; marginal tax rates will go back up, capital gains tax rates will go back up, dividend tax rates will go back up, and you will see higher taxes which have the opposite effect of what we want to see happen. We have stimulated the economy. It is growing, it is expanding, and rather than continue on that path by extending these tax cuts and allowing the economy to continue to expand and grow and create jobs, the Democrats, rather, would allow the tax cuts to expire thereby raising tax rates and mess with what is a very good thing in the economy right now.

That is the opposite of what we ought to be doing. We ought to be extending these tax cuts. We ought to be giving people in this country an opportunity to take their realizations, to pay taxes, continue to invest, and continue to grow the economy and create jobs. There are provisions that have expired or will soon expire, including the expensing for business equipment purchases for small businesses, relief from the alternative minimum tax—which is catching more and more middle-income taxpayers in this country—and, of course, lowering tax rates on dividends and capital gains.

Ironically, contrary to the arguments that have been made by the other side, if you look at who benefits from the tax relief—I am just going to use one example, dividend tax relief—those making under $50,000 a year see their taxes cut 7.6 percent. Seniors in this country see their taxes cut by 17.1 percent. Those making over $200,000, the so-called rich in this country, as has been argued by the other side, realize a 2.2-percent tax cut.

Where do the dividends tax relief benefits go? To people making under $50,000, to seniors across this country. We have a lot in both of those categories in my State of South Dakota, people who are making under $50,000, and a high proportion of seniors in my State who will benefit from this tax relief.

It seems to me, at least, that when we have this vote in a few minutes, if we want to do right by the American people—and, again, we want to assert what is a fundamental principle that at least I think most of us on this side of the aisle adhere to, and that is the American public is better and the American economy is better, frankly, if individuals across this country, taxpayers in this country, are making their own decisions about how to spend their own money for their families, for themselves, for their communities, rather than sending that money to Washington, DC, and having the Government and politicians in Washington decide how to spend it.

That I think probably points out as well as anything else in this debate that we are having today the difference in philosophy between those of us on this side of the aisle who want to extend the tax relief that was enacted in 2001 and 2003 and those who want to allow that tax relief to expire, thereby creating a huge, massive tax increase on the American people at a time when the economy is growing, creating jobs, expanding at a record level.

I hope today when the vote comes that we will have a strong vote in favor of growing this economy and creating additional jobs for Americans and allowing people in this country to keep more of what they earn and spend it on their own priorities, rather than sending it to Washington, DC, and allowing the politicians to spend it.

I yield the remainder of my time.

The PRESIDING OFFICER (Mr. CHAFEE). The Senator from Idaho.

Mr. CRAIG. Mr. President, I am pleased to see the tax reconciliation conference report before the Senate today. I commend the conferees' hard work and perseverance in reaching a compromise on this bill. I know it was no easy task.

Americans have been asking for tax relief, and now is the time that we give it to them. Lower taxes on capital gains and dividends—and higher alternative minimum tax exemption amounts—will assist America's small businesses, encourage the kind of investment that creates jobs and makes our economy grow, and ensure fairer tax treatment for middle-income families who would otherwise be left footing the bill for a tax intended for the wealthy.

These policies have a proven record of success. Since Republican pro-growth tax policies were enacted in 2003, the economy has grown at an unprecedented rate, over 5.3 million jobs have been created, tax revenues are surging, and household wealth is at an all time high. We must extend, not end, this trend and the conference report we have before us, in part, does that.

When the original tax reconciliation bill came before the Senate, I voted against it. I did so because it contained a windfall profits tax provision which would have imposed an additional $4.923 billion tax on the energy industry alone. I voted ''no'' because the bill that was supposed to provide tax relief actually raised taxes. I was pleased to see and commend the conferees for stripping the windfall profits tax provision out of the bill.

I am going to vote for this bill. The majority of it contains the kind of tax relief essential to creating jobs and growing our economy. But I stand before you today to register my opposition to the addition of an expanded withholding provision—a near $7 billion tax increase in a bill that claims in its title to prevent tax increases: The Tax Increase Prevention and Reconciliation Act of 2005. That title is misleading.

The provision requires withholding on payments to any person—including small businesses—providing goods and services to the Federal, State, and local governments. The rate of withholding is 3 percent on all payments, meaning that if contract payments were made quarter-annually, 12 percent of the total contract value—some undoubtedly in the hundreds of millions—would be withheld from the contractor, kept by the Government interest-free for up to 15 months.

Proponents of this provision say it simply closes the ''tax gap'' and assists in collecting Federal taxes that are already owed. To say that the expansion of withholding requirements is anything other than a significant shift in U.S. tax policy is misleading.

Withholding has not always been around. Federal income tax withholding came into being during World War II, as the need for increased tax collections arose. When Federal income tax withholding became mandatory in 1943, tax collections jumped from $7.3 billion in 1939 to a whopping $43 billion in 1945. That's an increase of $35.7 billion in 4 years.

In congressional hearings on the issue, Congressmen spoke candidly of the revenues that needed to be ''fried out of the taxpayers.'' There was no doubt in the minds of lawmakers that the result of withholding would be an increase in the tax burden on the public. However, it was wartime and the proposal was sold as a patriotic one. What is our reason now?

Some say it is to improve compliance by ''closing a tax loophole'' that allows some taxpayers to avoid their tax obligations. There is no such ''loophole''—the IRS has simply failed to do its job of collecting and aims to shift this responsibility elsewhere.

Information reporting requirements are already in place to assist the IRS in its collection duties. Government entities are specifically required to make an information return, reporting payments to corporations as well as individuals.

Moreover, every head of every Federal executive agency that enters into contracts must file an information return reporting the contractor's name, address, date of contract action, amount to be paid to the contractor, and other information.

Expanding withholding would now not only have the Federal Government spend taxpayers' dollars, but it would make taxpayers bear the burden and costs of collecting them too.

And the cost of this provision is high—nearly $7 billion over 10 years. This offset is not without strings, and it is not free. As portions of individuals and small businesses' income are withheld for as long as 15 months, cash flows will drop and opportunities to invest will go down. These expenses will result in a higher cost of business.

Withholding is the ultimate hidden tax. When taxpayers no longer see the money that is withheld from their paychecks, the cost of government becomes obscured. And with Government spending what it is right now, transparency is what we need.

This is not the last time you will be hearing about this from me or the taxpayers. This provision will not simply go by unnoticed. In fact, the same type of withholding was tried on dividends and interest in 1982. Public opposition was so profound that it was repealed less than 1 year later. Although I will vote today to extend essential tax relief, I will work to do the same before this tax increase takes effect in 2011. I will work to give more meaning to the phrase in the bill's title: ''Tax Increase Prevention.''

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. DAYTON. Mr. President, this bill should be a billboard for the corruption of the public interest in Washington. It is a disgrace, it is an abomination, and it should be rejected by the Senate.

Last year, when this body passed a version of this legislation, I voted for it, principally because it included my amendment requiring corporate executives to pay their fair share of taxes when they use their company planes for their personal use. That is a matter of simple tax fairness. When all other Americans take vacations, they pay for their air travel on commercial airlines with their after-tax income. Yet when some of this country's wealthiest people, corporate executives, take vacations on their company planes, they fly for free and they pay almost no taxes on the actual value of that special employment benefit. My amendment would have raised $44 million in Federal revenues during the next 10 years, all of it coming from some of the very richest Americans, all of it coming from the end of their tax avoidance scheme.

What happened to my amendment, which was adopted by the full Senate on a unanimous voice vote? It was stripped from this conference report by the House-Senate conference committee which is controlled by the Republican majority in both bodies. It was done behind closed doors with no explanation and, thus, once again the greedy, a few rich and powerful Americans, have prevailed over the best interests of everyone else.

No wonder so many working Americans have lost their faith and trust in this Congress and in this President. Under their control, the rich get richer and everyone else gets poorer. And the national interest is betrayed behind the closed doors of a conference committee.

Stripping out my amendment is unfortunately only the beginning of the terrible abuses in this conference report. According to the nonpartisan Tax Policy Center, someone in this country who earns between $20,000 and $30,000 a year will receive an average of $9 in tax cuts from this bill. Someone earning $40,000 to $50,000 a year will get an average $46 tax reduction. But the very wealthiest Americans with incomes over $1 million a year will get an average tax cut of almost $42,000 every year.

Let us reverse those numbers since some of my colleagues are trying to portray our failure to pass this as a tax increase. Conversely, if that were to be the case, someone who makes between $20,000 and $30,000 a year would receive by their words an average of $9 a year tax increase. Someone earning between $40,000 and $50,000 a year would get on average a $46 tax increase. But the very wealthiest Americans, those with incomes of over $1 million a year, would get an average tax increase of about $42,000 every year. That is what progressive taxes are about.

Over half of this $70 billion which they want to reduce in Federal revenues, almost $40 billion of that will go to the richest 4 percent of American taxpayers. By doing so, the rest of this country will go deeper and deeper into public debt. Last year's combined Federal budget deficit was $318 billion. All Federal revenue, including the surplus in the Social Security trust fund thus amounted to only 87 percent of all Federal expenditures.

If you set aside the Social Security surplus, put it in a lockbox that so many people, including myself and the President, campaigned on in the year 2000, that surplus which this administration is squandering every year entirely on current consumption, then last year's so-called on-budget deficit for the Federal Government was $483 billion. That meant all Federal revenue set aside totaled only three-fourths of Federal expenditures.

That occurred during an expanding economy. It will continue this year, according to the President's own projections, during an expanding economy.

According again to the President's own budget forecast, this revenue shortfall of one-fourth of total expenditures will continue over each of the next 5 years. This even assumes the continuation of a relatively good economy.

By contrast, in the fiscal year 2000, which is the last fiscal year of the Clinton administration, non-Social Security revenues totaled 106 percent of on-budget expenditures.

In other words, we were in a budget surplus—there was a budget surplus projected every year for the next 10 years—and now those revenues total only three-fourths of expenditures, which means that, starting in 2001, President Bush and his supporters in Congress have destroyed the fiscal integrity of the Federal Government by recklessly cutting taxes, which primarily benefits the rich and powerful, while increasing Federal spending in every cycle one of those years, which caused the bipartisan or nonpartisan Concord Coalition, headed by the former Secretary of Commerce under President Richard Nixon, to call this administration the ''most reckless'' administration in the history of this country in its fiscal policy.

This tax bill will further feed that greed of the richest and most powerful Americans and it will weaken our country. Any sensible American understands that if their income is $30,000 a year and they are spending $40,000 a year, that is an unsustainable imbalance. Borrowing the difference only postpones the day of reckoning and makes that future reckoning more painful and difficult.

Any farmer or small business person knows if their annual income is $150,000 and their annual expenditures are $200,000, they too will go deeper into debt every year and eventually face bankruptcy. That basic law of economics also applies to governments and nations. It may take longer to exhaust the wealth of a country with our resources, but that will eventually happen unless we change our course.

This tax bill provides more tax favors to those who need them the least while increasing our future deficits and putting additional financial burdens on our children and grandchildren who will ultimately face those days of reckoning for this fiscal hedonism.

What is most disgusting about this spectacle is that the people in Washington who are responsible for it, the people in the Bush administration and in the majority of this Congress, know what they are doing. They know—or at least they should know—the future damage they are inflicting on this country. They just know that they can get away with it. They know when those days of reckoning arrive, when this great and strong nation has exhausted its ability to borrow from the rest of the world, when it has been reduced to being the largest debtor nation in the history of the world, it will be other people's nightmare—certainly another President's. And they can hope to avoid that future blame by now avoiding being responsible.

They have had plenty of help. These tax handouts don't happen by accident. They are heavily lobbied for by the people who benefit from them. They are the same people who benefitted most from the 2001 tax cuts and the 2002 tax cuts and the 2003 tax cuts. But more is never enough. Greed cannot be satisfied by feeding it more. That greed will eventually destroy this country, if it continues.

There used to be an ethic in this Nation that when you made more money, you paid more taxes. Now the obsession of individuals and of corporations is to make more money but pay less taxes, or pay no taxes, or even get tax rebates. The annual report of a major corporation recently noted proudly that it had paid no U.S. taxes in three of its previous five years although it had been profitable during all five of those years. The chief executive officer of that corporation then is now the Secretary of the U.S. Treasury. He is advocating lower taxes, and even eliminating taxes on unearned income, corporate dividends, and capital gains. He was quoted as saying:

> It was as if a light switch has been thrown on. Rarely has a piece of public policy been so effective, with the effects so evident and immediate.

Reduce the rate on unearned income, dividends, and capital gains.

There is a noted economist, not a partisan on the other side, but the chief economist of Lehman Brothers Investment Bank, who said in contrast you might credit the cuts with providing a little bit of a jump-start, but they believe the main reason the economy has done so well has more to do with the corporate sector starting to spend some of their record profits.

Former Secretary of the Treasury Robert Rubin, under President Clinton, who presided over this period of economic expansion in the 1990s when they balanced the Federal budget, said:

> We had very good markets in the 90's, before all of these tax cuts went into effect.

My colleagues on the other side are claiming that those tax giveaways back in 2003 are responsible for the modest economic expansion that benefitted some Americans while leaving many other Americans worse off than they were before. Most of the tax cuts that they are touting were actually passed and took effect in 2001, and they certainly were not bragging about continuing recession in 2001, 2002, and most of 2003.

Since then, our country's economy has improved, thank goodness, and they want us to believe that this cycle is as sure as the sun is setting and would not have occurred without their tax cuts for the rich and for the superrich. And they claim the economic growth in this country will not continue if we don't extend those tax cuts, which are not even scheduled to expire until the end of 2008, through 2009 and 2010.

In fact, their priority is such that they will set aside such measures as tax credits for research and development, which this country does need, a real and far more effective fix to the alternative minimum tax, which is part of the Senate bill which I voted in favor of. Those have to be set aside, postponed, delayed, or take no effect at all so they can extend the lower rate on dividends and capital gains the years 2009 and 2010.

Talk about the wrong priorities. Talk about destroying ethics in this country, that people who make more money, who are more privileged, more fortunate than anybody else on this planet, virtually in the history of the world, should not have to pay their fair share of taxes to keep this country strong and provide sufficient revenues to the Federal Government, to balance our budget, to be responsible, to pay our own way, which we are certainly capable of doing, and leave this country in a sound financial state to those in this country now and to those who will follow in 10 or 15 years.

I hope the people who are alive then and facing those consequences will look back and review the transcripts of this debate today. I hope they will ask themselves, Why is it that people today in responsible positions cut taxes for the very wealthiest, most privileged, and politically powerful people in this country and added $70 billion to the debt we inherited, that we have to pay in addition to the hundreds of billions of dollars more they are adding every year to that deficit and to the national debt? They are going to say it was wrong; they are going to say it was misguided; and they are going to wonder how it could be that responsible people could have failed to foresee the consequence of this selfishness and cater to the greed of those out there who want these cuts and won't be sated until they get more and more and more.

If they are working hard, as most Americans do today, they are going to ask themselves, Why is it that I struggle to pay my fair share of taxes, most of which are withheld and never in my pocket to begin with? Why am I paying higher tax rates from my earned income, from the sweat of my brow hour after hour, than the very wealthiest people in the country? People in many cases don't even earn that much. Who are the beneficiaries—as I have been, and as others of my family have been in my previous generations of success—who are not even willing to pay a tax rate similar to those who earn their income by their daily toil? It is fundamentally wrong. It is fundamentally wrong, what is happening in this country. It is making the rich richer, making average Americans poorer and more tax averse. The cumulative result is that revenues are three-fourths of expenditures, unsustainable, and a fiscally dangerous proposition from which we will suffer the consequences, the pain, for years to come.

Mr. KENNEDY. Mr. President, budget reconciliation is a process adopted by Congress nearly three decades ago to facilitate the passage of legislation to reduce the deficit and to help bring the Federal budget into balance. But in recent years, under the Republican majority, that process has been repeatedly abused to enact more and more tax cuts for the wealthy that make the budget deficit even larger.

Now, they are trying to do it again, in spite of the urgent problems facing the Nation, from the ongoing war in Iraq to the devastating hurricane damage along the gulf coast that has not yet been repaired. President Bush's policies have already added $3 trillion to the national debt in the last 5 years. Yet he is still proposing more of the same, more tax cuts benefiting the wealthiest among us.

The audacity of the Bush administration and their congressional allies truly knows no limit. First, the Republican majority cuts spending on Medicaid and other important Government programs for people in need by nearly $40 billion. They claim we have to do it to reduce the deficit. Then they bring this outrageous tax bill to the floor, a bill that will cut taxes by far more than the savings in spending from the programs cuts. The net result will be a substantial increase in the budget deficit—exactly the opposite of what the reconciliation process is supposed to accomplish. Billions of dollars will go from programs that assist low-income families and senior citizens into the pockets of the already wealthy. It takes from those with the least and gives to those with the most. It is a breathtaking Republican scam on the Nation that can only further discredit this Congress in the eyes of the people.

From day one, the Republican plan has been to use this reconciliation process to push through a cut in the tax rate on capital gains and dividend income. These are tax cuts that overwhelmingly benefit the richest Americans, with approximately half the tax benefits going to millionaires. Leading Republicans have repeatedly made it clear that their top priority was extending capital gains and dividend tax breaks, and that is exactly what they did in this conference report. No matter the cost and no matter what needs go unmet, the GOP is intent on delivering these tax breaks to their wealthy supporters.

What is the real cost of these capital gains and dividend tax cuts? The Republicans claim the cost of these provisions is $20 billion; the real cost of extending the lower rates for another 2 years is $50 billion. This tax break is particularly unfair because over 75 percent of capital gains and dividend income goes to taxpayers with incomes over $200,000 a year. Over half of all capital gains and dividends—54 percent—go to taxpayers with incomes over $1 million a year. The average millionaire will save over $42,000 a year from these tax breaks on capital gains and dividend income. By contrast, the average family earning $50,000 a year will save $46 in taxes.

As a result of this shameful Republican let-them-eat-cake proposal, millions of working families will pay a substantially higher tax rate on their wages than wealthy taxpayers pay on their investment income. What could be more unfair? Republicans are penalizing hard work, not rewarding it. They are giving a preference to unearned income over earned income.

The Republicans cynically claim that capital gains and dividend income deserve special treatment because they will stimulate investment. The facts do not substantiate that claim. The stock market grew much more rapidly in the 1990s than since the rates on capital gains and dividend income were cut in 2003. The overall health of the economy has much more to do with financial stability than special tax breaks for the rich. More tax cuts that America cannot afford will hurt the economy, not help it.

As if the capital gains and dividend tax breaks were not enough, the conferees created another new tax break for the wealthy that was not contained in either the Senate or the House bill. After 2010, the bill will allow high-income taxpayers to have retirement accounts where unlimited amounts of interest, dividends, and capital gains income that they receive would be totally tax free. This will have an enormous long-term cost, taking billions of dollars each year out of the Treasury.

The Republican conferees also made sure that multinational corporations got their piece of the pie. More than $5 billion in tax breaks were added to the bill for companies doing business overseas, a further incentive for these corporations to invest abroad rather than in the United States. They also took care of the oil industry. The Senate bill would have eliminated several special tax loopholes that big oil uses to avoid paying taxes on its substantial profits, including questionable accounting gimmicks that will cost the Government over $4 billion in lost tax revenue. However, those loophole-closing provisions were removed in conference. The Republicans made sure that the oil companies will get to keep their tax loopholes.

There are some very important tax provisions that we should be addressing in this bill, but the Republicans threw them overboard:

The alternative minimum tax was never intended to apply to middle-class families, and they deserve tax relief. However, this bill's AMT relief is provided only through 2006, while capital gains and dividend tax breaks are extended through 2010. What about AMT relief for 2007? Shouldn't that be a higher priority than capital gains and dividend tax breaks for 2010?

The research and development tax credit is critical to our international competitiveness and should be retained. However, the R&D credit was taken out of this bill to make more room for their tax breaks for the rich.

The deduction for college tuition is vital to millions of middle-class families struggling to afford a college education for their children. But it obviously was not very important to the Republican conferees. They took it out of this bill.

They also removed the savers credit, designed to help low- and moderate-income families build a nest egg for their future. Those families will just have to make do with less.

The priorities of this Republican Congress are truly scandalous.

The financial mismanagement of the Bush administration has weakened our economy and placed our children's financial wellbeing in peril. The national debt has risen to an all-time high of nearly $9 trillion. Under President Bush, our country has borrowed more from foreign governments and foreign financial institutions than in the prior 200 years combined. We are losing control of our Nation's future, and all the Republicans offer is more of the same. More and more tax breaks further enriching the already wealthy, while working families are left to struggle on their own in an increasingly harsh economy.

If we are honest about reducing the deficit and strengthening the economy, we need to stop lavishing tax breaks on the rich and start investing in the health and well-being of all families. These families are being squeezed unmercifully between stagnant wages and ever-increasing costs for the basic necessities of life. The cost of health insurance is up 56 percent in the last 5 years. Gasoline is up 75 percent. College tuition is up 46 percent. Housing is up 57 percent. The list goes on and on, up and up—and paychecks are buying less each year. The dollars that go to pay for more tax breaks for the rich are dollars that could be used to help these families. Instead, this Republican budget plan turns a blind eye to their problems.

The economic trends are very disturbing for any who are willing to look at them objectively. The gap between rich and poor has been widening in recent years. Thirty-seven million Americans now live in poverty, up 19 percent during the Bush administration. One in five American children lives in poverty. Thirteen million children go to bed hungry each night. Wages remain stagnant while inflation drags more and more families below the poverty line. Long-term unemployment is at historic highs.

The Republican majority has abandoned our Nation's working families. They cut the programs that these families depend on, while granting the wealthy even more tax breaks. The American people deserve better; and in November they will insist on a new Congress that truly shares their values and cares about their needs.

Mr. OBAMA. Mr. President, I rise today to speak in opposition to the tax reconciliation conference report.

The Federal Government is the rare institution that can spend money it just doesn't have. We spend and we spend and when we don't take in enough to cover the bill, we just borrow from China and Japan and keep on spending.

Families would go bankrupt if they managed their budgets this way. Businesses would shut down. Most mayors and Governors would be thrown in jail. And yet Washington operates as if we can continue to get away with more of the same.

The reality is, we can't. To do so simply passes the burden to our children and grandchildren, while keeping us in debt to our major economic competitors.

By standard accounting rules, our Federal deficit last year rose to $760 billion, a figure that now makes our national debt more than $8.4 trillion.

Think of it this way: last year, the Federal Government spent more than it took in by about $2,500 for every single man, woman, and child in America. And that is on top of each household's $75,000 share of our national debt. That is a credit card bill and a second mortgage that most Americans didn't even know they had.

What is worse is that even these figures don't tell the full picture. The rising demands on Medicare and Social Security over the next 35 years will swallow up the Federal budget unless we adjust either the amount that is paid into the two trust funds or the amount that is paid out.

Sadly, there may be too much partisan rancor right now to address these long-term challenges. But, at the very least, what we can do right now is to stop making things worse. This bill doesn't do that. This bill makes things worse—much worse.

The $70 billion pricetag is just the start. Because we know that that number is just a gimmick to push this through—and we know that more tax cuts are coming in another bill that will push the real cost closer to $150 billion in new deficits.

But the most offensive part of this bill isn't even the pricetag. The most offensive part is where this tax relief is going. Because this money's not going to the working Americans who are already having trouble paying their medical bills and tuition bills and their mortgage payments and their taxes. Those middle-class Americans will get an average of $20 from this tax bill. Twenty dollars.

On the other hand, if you make more than a million dollars, well, this is the bill for you—because you will get an average of $42,000 in tax cuts—$42,000 in tax cuts for millionaires.

This bill is out of touch with the country's priorities. It makes the wrong choice for Americans over and over again. It makes America more vulnerable financially at a time when we need to be stronger. It enshrines tax breaks for oil companies yet leaves out the deduction of college tuition. It creates a huge tax break for wealthy savings yet leaves out the saver's credit to help moderate-income households save for retirement. It privileges the high incomes of wealthy investors yet leaves out tax credits that help employers hire people off welfare. It rushes to address the demands of big corporations out in 2009 yet fails to shield middle-class families from the outdated alternative minimum tax even through 2007.

Given our country's precarious budgetary situation, now is not the time for a $70 billion tax cut that will only push us deeper into debt. Before we embark on an expensive package of tax cuts or new spending initiatives—no matter how meritorious—we should insist upon sensible pay-as-you-go rules so that tax cuts and new spending are paid for today rather than passed along to our children and grandchildren.

You know, this place never ceases to amaze me. It amazes me that at this time in our country's history—a time when so many Americans are struggling to get by; a time when so many have lost faith in the idea of a government that looks out for their interests and upholds their values; a time when we continue to mortgage our future to bankers in China; at a time when all this is going on—we are debating a $70 billion tax bill that will give the wealthiest one-tenth of 1 percent of all Americans a tax cut that is more than 4 thousand times larger than most middle-class Americans will get.

If you are wondering why our approval ratings are in the tank, take another look at this bill. This is a bill that is neither responsible, nor fair, nor honest. It is not worthy of the people who sent us here, and it certainly doesn't help them. And so I urge my colleagues to vote against the conference report on tax reconciliation.

Mr. FEINGOLD Mr. President, this country needs meaningful health care reform. I believe that health care is a fundamental right, and I believe that this right should not be compromised, nor should the quality of the insurance offered to Americans be compromised. Far too many of our constituents lack health coverage, and we should be acting to address that problem today. In fact, we should have addressed that problem long ago.

Unfortunately, it has become clear that in this current political environment Congress will not discuss ways to provide health care coverage to all Americans. In fact, we find ourselves debating legislation today that will set back our efforts to provide adequate coverage to Americans.

The Health Insurance Marketplace Modernization Act would allow the preemption of State insurance mandates that were put into place to protect people from plans that would otherwise drop coverage of medically necessary services. Insurance regulation is an issue that has traditionally been under the jurisdiction of the States. As a former State legislator, I appreciate the hard work that is done on the State level to tailor these laws to State residents, and I think that it is shameful to undo all of this hard work and subvert States' rights in this area.

States rights are not my only concern about this legislation. This preemption could have a very dangerous impact on individuals and families. It could result in health insurance policyholders no longer having access to numerous services including mammograms, mental health care, and newborn baby care. And these are not simply my concerns—I have heard from thousands of chiropractors, podiatrists, optometrists, and mental health providers in the State of Wisconsin, all of them concerned about losing provider mandates in the State. The people of Wisconsin believe that they should have access to comprehensive health insurance, but this legislation would reverse the progress that Wisconsin has made in ensuring adequate health coverage for its citizens. Wisconsin is not the only State—many States would lose mandates under this legislation. This bill would essentially provide underinsurance for Americans, and this isn't what Americans want or deserve.

In addition, this bill would cause fragmentation in the health insurance market, which would make it even more difficult for sick individuals to obtain health insurance. Without adequate regulation, insurance plans offered under this new scheme would be able to attract healthy low-risk individuals, leaving higher concentrations of sick individuals in traditional health plans that operate within State laws. This could drive up the costs in these traditional health care plans, potentially making insurance unaffordable for their policyholders.

Supporters of this bill are right about one thing, small businesses are facing enormous challenges in offering health insurance to employees. Health care costs have skyrocketed along with health insurance premiums, and it is difficult for small businesses to stay competitive without being able to afford insurance for employees. I have been hearing about this problem firsthand for years from small businessowners who attend my listening sessions and tell me that they want to provide insurance for their employees, but they are getting squeezed financially. They are looking for help from the Federal Government, and I regret that they are instead being offered a badly flawed bill.

Small businesses owners and their employees should have access to high-quality health insurance, and I introduced legislation with Senator COLLINS that would help provide this for small businesses. Our legislation would avoid the problems of S. 1955 while still allowing associations and small businesses to pool their members so as to negotiate lower insurance premiums. This bill, the Promoting Health Care Purchasing Cooperative Act, would establish grant programs to help both large and small businesses form group purchasing cooperatives within the framework of existing State regulation. This legislation provides an alternative to the legislation we are debating that would not preempt State mandates and that works within the existing framework in the States. But this legislation certainly isn't the magic bullet that can address the entirety of the problems within the health care system.

We need to find a comprehensive solution to the problems with our Nation's health care. Almost 46 million Americans are currently uninsured, and millions more underinsured. This number has been climbing steadily for 20 years. People who fall into the category of the uninsured are seven times more likely to seek care in an emergency room. They are less likely to receive preventative care, and they are more likely to die as a result. The effects of uninsurance are not limited to individuals and families without coverage—each one of us deals with the consequences.

By not taking action on providing affordable insurance for people in our country, we are putting our future physical and economic health at stake. America's survival rate for newborn babies ranks near the bottom among industrialized nations, better only than Latvia. Our other health outcomes for most segments of the population are poorer than outcomes in other industrialized nations. Additionally, our businesses are having difficulty competing in the global market with businesses in countries that have universal health care. The combination of problems is clearly taking its toll on our country's future.

While we face these looming problems of poor health and access into the health care system, we devote more of our economy to health care than any other developed nation. In real dollars, we spend more on health care than the entirety of England's GDP. Despite this incredible spending, our country is still looking at astounding numbers of uninsured people, and Congress continues to do nothing.

The only thing worse than doing nothing is pretending to do something, and that is what this Republican-designated Health Week amounts to. We have been given 1 week only 1 week to discuss the staggering problems facing the health care system in this country. We have been presented with legislation that ignores or exacerbates the real problems we face. And we have been shut out of the opportunity to offer amendments. If we are going to finally debate health care, as we must, we should engage in a real debate, a debate that gives health care the attention it deserves, instead of debating a bill that Republican leadership probably expects will not even be passed into law. Let's talk about real answers for real people. Let's talk about true health care reform.

I was pleased to be joined by the Senator from South Carolina, Mr. GRAHAM, in introducing legislation that requires Congress to act on health care reform. Our legislation would force Congress to finally address this issue. It requires Congress to discuss, debate, and consider universal health care bills within the first 90 days of the session following enactment of the bill. This bill does not prejudge what particular health care reform measure should be debated. There are many worthy proposals that would qualify for consideration, and this bill does not dictate policy. This simply requires Congress to act. The American people want action, the States want action, and it is time that we answered their call.

Instead of avoiding the issue or offering dead-end solutions, we should enact health care reform legislation that harnesses the talent and ingenuity of Americans to come up with new solutions. That is why I advocate a State-based approach to health care reform, which allows States to experiment with ways to enhance access to health care for their citizens. This approach takes advantage of America's greatest resources—its mind-power and diversity—to bring our country closer to the goal of realizing a working health care system with universal coverage. If the Federal Government helped States enact changes in the health care system, then I believe we would see our political logjam around health care begin to loosen.

We are already seeing States move ahead of the Federal Government on covering the uninsured. Massachusetts recently passed into law a plan to require health insurance for residents. In Wisconsin there has been discussion of expanding health insurance coverage in the State. I think the Federal Government should be working to encourage these innovative initiatives.

States could be creative in the State resources they use to expand health care coverage. For example, a State could use personal or employer mandates for coverage, use State tax incentives, create a single-payer system or even join with neighboring States to offer a regional health care plan.

This approach would guarantee universal health care but still leave room for the flexibility and creativity that is necessary to ensure that everyone has access to good, affordable coverage.

Why don't we use this so-called Health Week to discuss meaningful legislation like the approach I have discussed, rather than simply bringing partisan bills to the floor that won't move? It is time for the government to step up and fulfill its duty to make sure that the benefits of our Nation's health care system can be enjoyed by all Americans. I urge my colleagues to act.

I yield the floor.

UNANIMOUS CONSENT REQUEST—S. 1955

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. ENZI. Mr. President, I am here to propound a unanimous consent request. I want to make sure when we have the cloture vote tonight, that after cloture we are assured we can still have a vote on the Durbin-Lincoln bill as well as S. 1955.

I ask unanimous consent that if cloture is invoked on the substitute amendment, notwithstanding rule XXII, it be in order for the Senate to consider the Durbin-Lincoln substitute amendment, which is the text of S. 2510; provided further that the pending amendments be temporarily set aside immediately after cloture is invoked and the Senate proceed to the Durbin-Lincoln amendment.

I further ask that following 2 hours of debate, equally divided in the usual form, the Senate proceed to a vote in relation to the amendment, with no other amendments in order prior to that vote.

Mr. DURBIN. Reserving the right to object, I thank the chairman of the committee for being so thoughtful as to include the substitute as a possible vote after cloture.

I ask the Senator if he would consider including stem cell research, which we have been waiting for for a year. Senator FRIST has promised he would bring it before the Senate.

There are millions of Americans suffering from afflictions such as diabetes, Alzheimer's, Parkinson's, Lou Gehrig's disease, and spinal cord injuries who are counting on us. Will the chairman of the HELP Committee, as part of Health Care Week, amend his unanimous consent request to include a vote, after an adequate debate, on stem cell research?

Mr. ENZI. Our purpose is to get a vote on small business health plans of some form. You proposed a small business health plan. I proposed a small business health plan. I would like for both of them to be able to get a vote so that small business can get something out of this session.

We have already been promised there will be a debate on stem cells and a vote on stem cells. I heard some of the discussion last night about the three votes that will be taken on that issue. I am pretty sure that will be covered. It would be difficult to amend onto this bill because it is a totally different subject. We need to do something for small business. This allows your small business plan and my small business plan to be considered and to get a vote.

Mr. DURBIN. Reserving the right to object, then let me ask the chairman of the HELP Committee, since we are just 4 days away from the deadline on Medicare prescription Part D, and 6 or 7 million Americans—seniors, many of whom are in precarious physical and health conditions—have been unable or have not signed up for the program and 4 days from now will face a lifetime penalty for failing to sign up, will the chairman of the committee, understanding the critical importance and urgency of this issue, amend his unanimous consent request so that we can consider this before the deadline to make certain these seniors are held harmless and have a chance to change their plans in the next year?

He can understand if stem cell research is promised months from now, and I hope we will reach it, this is something which is time-sensitive and urgent to millions of Americans. Will the Senator amend his unanimous consent request?

Mr. ENZI. I appreciate the request and the emphasis of making a decision by Monday. I hope millions of people across the United States are using all of the different mechanisms—the volunteers, the phone numbers, the Internet—to get to a very simple result, having Medicare do the math so they can make that decision.

Deadlines are a marvelous thing. I operate on deadlines. So to do it before Monday would probably preclude a lot of people from making that decision and will give people the impression that we will move the deadline now, move the deadline next time, move the deadline next time. That won't get people signed up. We have time to move the deadline after the deadline if that seems to be a major concern—I am sure there is a major concern—but to move it beforehand and not to put the pressure on it would be a huge mistake.

That falls under the Committee on Finance, not under the HELP Committee, not under HELP, and the Finance Committee has to make those determinations to bring that forward. It would not be possible to put that in this amendment.

Again, we are trying to keep it a small business health plan so that small business can have a chance for the first time in 12 years to have something done for them.

Mr. DURBIN. Reserving the right to object, I would like to say as follows: On behalf of 9 million seniors in this country who face a lifetime penalty in 4 days because they failed to sign up for this confusing prescription Part D program that has been created by this administration, and on behalf of millions of Americans who ask me every chance they get: When will you possibly bring up this issue of stem cell research so we can have the medical research to spare people from suffering and death, and on behalf of those millions of Americans who will not have a chance during this Health Care Week to even have their issue considered by the Republican majority in the Senate, I am sorry that I must object.

The PRESIDING OFFICER. The objection is heard.

Mr. ENZI. It would do me no good to change the unanimous consent, so we have 2 more hours of debate or have germane amendments available to your bill?

Mr. DURBIN. If the Senator is asking me a question, I have given him two other requests. There are others, such as reimportation of drugs.

This was supposed to be Health Care Week. The majority leader started with medical malpractice and then went to your bill and does not want to talk about anything else. How can we miss this opportunity? The Senator from Wyoming knows these opportunities are few and far between. If we do not seize this moment and take up these issues, we will not reach them this year and people will be left penalized and still waiting for Congress to act.

Mr. ENZI. And there is only one opportunity to talk about small business. I have been trying to expand that opportunity as much as possible. That is why I propounded this unanimous consent, so that it could be absolutely clear that both methods of taking care of small business would be done. I am sorry the other side is not willing to do that.

Mr. SANTORUM. Will the Senator from Wyoming yield for a question?

Mr. ENZI. Yes.

Mr. SANTORUM. Is the Senator from Wyoming aware we have had votes on the extension of the May 15 deadline at least on two occasions or more? Has the Senate already voted on this issue repeatedly?

Mr. ENZI. Yes, it has.

Mr. SANTORUM. So what the Senator from Illinois is asking is to have another vote after the Senate has already, on more than one occasion, voted it down. So it is not that we have not discussed that issue. We have discussed that issue in the past, and the Senator does not like the decision of the Senate, but that does not mean we have not debated that issue.

The second issue on which I wish to ask a question is the stem cell issue. I think you said this, but I want to make it very clear. Is the leader not in discussion right now with the Democratic leader on setting up a framework to bring up stem cell? And did not the leader say that he would bring this issue to the Senate, and he gave a commitment, and isn't his intention—hasn't he stated it clearly—that he will bring this issue to the Senate in a timely manner before the end of this session?

Mr. ENZI. I have been next to conversations but not a part of the conversation where that was absolutely the case. I have heard speeches in the Senate where that absolutely was the case. I know there are three different proposals that will be voted on and debated in regard to that, so it is something which will be covered this session.

Mr. SANTORUM. And the third issue on which the Senator says we have to have a vote is the importation of drugs. Have we not debated that issue repeatedly in the Senate, and the position the Senator from Illinois has taken has repeatedly failed; is that not the case?

Mr. ENZI. Over a period of years, that has been debated and voted on here, and it has been voted down.

Mr. SANTORUM. I ask the Senator from Wyoming, have we ever debated and brought to the Senate small business health plan reform for the opportunity of small businesses to be able to get insurance for their employees, to take care of one of the biggest problems Members on both sides of the aisle have talked about, which is the rate of uninsured in this country? Have we ever debated this issue in your bill, in the Senate?

Mr. ENZI. It has not been debated in the Senate before. The House has done it for the past 12 years. They passed it eight times, but we have never done it on the Senate side. It has not made it out of committee before.

Mr. SANTORUM. Let me understand, if I am correct, the Senator from Illinois is objecting to moving forward with a bill that has never been considered, that has support, I assume, from both sides of the aisle, that is important from the standpoint of insuring more people; and the reason he does not want to let that go forward is to bring up two issues that have repeatedly been brought up in the Senate, including this session of Congress, and he has been defeated on, and a third issue which the majority leader has already said he would give time for. That is his reason for objecting to this unanimous consent?

Mr. ENZI. That is the reason that was given.

All I am asking is that we do something for small business. I know they were concerned about getting a vote on the Durbin-Lincoln amendment. I tried to make any concessions I possibly could to get that vote postcloture so that we would both be able to get a vote on the two bills and do something for small business. We can weed out what will work for small business. We can do additional amendments. There are actually unlimited amendments that can be done to S. 1955 that the other side could use to improve that, if they so desire. What we do is have 30 hours of debate and then a vote-arama on any issues remaining and a final vote on whether small business has anything different.

I yield the floor.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. Mr. President, let me correct my colleague from the State of Pennsylvania who has misstated a fact which I am sure has escaped his attention; that is, on February 2, this year, there was, in fact, a vote on this Medicare prescription Part D. The vote was propounded by the Senator from Florida, Mr. NELSON. It was under the debate on the budget and needed 60 votes, but 52 Senators voted in favor, including, obviously, Republican Senators. So his statement earlier that it has never passed in the Senate is not correct.

It is correct that he voted against giving relief to seniors who failed to sign up in time on May 15. That is reflected in the RECORD. I want to make sure that is clear for the record.

I also say when it comes to this issue, we have been told repeatedly regarding this wonderful program that the seniors would figure it out and all sign up. It turns out half of them have not. It is too complicated. It is too difficult. We have been trying to give the seniors some relief from the possible penalty they will face. I don't know whether it is because of the embarrassment that the program is so complicated, but for whatever reason the Republican majority has not allowed this.

Mr. SANTORUM. Will the Senator yield?

Mr. DURBIN. I am happy to yield.

Mr. SANTORUM. Does the Senator from Illinois recall what the estimates were as to how many seniors would sign by the date of May 15?

Mr. DURBIN. Whose estimates?

Mr. SANTORUM. By the Congressional Budget Office, which scores the bill.

Mr. DURBIN. No.

Mr. SANTORUM. Between 28 and 30 million.

Does the Senator from Illinois know how many have signed up?

Mr. DURBIN. The Senator is very carefully avoiding the obvious; that is, the vast majority of seniors already have prescription drug coverage. What we are trying to do is bring into coverage those who do not have it, and more than half of them have not signed up for the program. So he is comparing numbers here that do not work.

I will reclaim my time because I would like to speak to the tax reconciliation bill. But before I do, the way to deal with this issue on small business health insurance is on behalf of the leader to sit down and decide what amendments will be in order and to move forward. But that is not the way we do business in the Senate. It is a confrontation strategy.

The Republican majority brings a bill to the Senate, fills the tree so no amendments can be offered, and then files cloture, which stops debate. So we cannot have this conversation. We cannot offer other amendments.

Why would the Republican majority leader want to avoid a vote on stem cell research? Because Members on the Republican side of the aisle up for reelection are nervous about this vote. They have said they oppose stem cell research, and they know a majority of the people in their states favor stem cell research and they do not know what to do. They want to avoid the pain. They do not want to face the votes.

I remind them what my former colleague from Oklahoma, Mike Synar, used to say: If you don't want to fight fires, don't be a firefighter. If you don't want to cast controversial votes, don't run for the Senate. That is what this is all about. You have to face the music and face the voters.

The Senator from Tennessee, the majority leader, is trying to protect and insulate his Senators from a delicate and difficult political vote. I am afraid he is going to have to answer to the millions of people across America who believe that stem cell research is critically important to a nation that counts on medical research to deal with our future.

One out of three of our children alive today will be diagnosed with diabetes. If we can do medical research with stem cells to save and spare those children, why don't we do it? We know what Parkinson's is doing to so many healthy people—cutting their lives short, compromising their ability. Alzheimer's is rampant. We have situations with Lou Gehrig's disease, spinal cord injuries.

All of these could be addressed with stem cell research. And despite the fact that the Senate majority leader has said he favors this research, he refuses to call it to the floor. That is not fair. It is not fair to the families who count on us.

If this President has decided we are going to prohibit medical research, we should have a voice in that decision. The people should have a voice in that decision through their Senators. And because the Senate majority leader wants to protect his Members from a tough vote, a controversial vote, he does not want to bring this to the floor. That is unfortunate—unfortunate for the Senate, more unfortunate for the people who count on us.

Let me tell you what we did have time to do this week. Before we left, we found time to do something critically important. We found time to make sure we are dealing with the tax cuts being proposed by the Republican majority.

What are those tax cuts worth to average Americans? Well, if you happen to make about $75,000 a year or less, they are worth $110.

Do you remember when the Republican majority said, we will solve the gasoline price crisis by sending every American a check for $100, and they were laughed out of Washington? Here they come again. Here comes the Republican tax cut for working families across America—$110. Thank you so much. It almost will buy two tankfuls of gas. That is their idea of helping working middle-income families.

But look down here on this chart. Look at the people who are making more than $1 million a year. Do you know what the tax cut is worth to them? It is $42,000. I will tell you this, there are 17,000 people in the State of Illinois, in the State I am proud to represent, who make more than $1 million a year. Do you know how many have written to me and said: ''Please, I need a tax cut for $42,000''? None. Not one. Do you know why? They are doing quite well, thank you.

Mr. President, $42,000 more a year for them is money, perhaps, for another purchase of something to make their lifestyle even more comfortable, or to put it in their savings, or put it in investment, but they do not need it to get by.

The people making $75,000 a year could use a real tax cut. But this bill that is before us has removed one of the tax provisions that would help working families across America. It is the tax provision which said that working families can deduct the cost of college education expenses for their kids. Think about that. Working families, some who have a first-generation son or daughter in a college, got a helping hand from our Tax Code to pay for the cost of college education. And you know it is going up. Kids come out of college today with more and more debt.

And to the families that want to help them, we said: We will give you a helping hand in the Tax Code. But guess what. When the Republicans met in conference, they eliminated that provision. They took out the tax cut for these working families for college education so they could put in a tax cut of $42,000 for people making $1 million a year.

Well, let me tell you what it means in real terms. When you look at the average family across America, it means the tax cut is worth $16. You could not fill up a gas tank unless you were driving, perhaps, a motorcycle. Mr. President, $16—that is the average tax cut across America.

The gentleman whose picture I have here is Mr. Lee Raymond, the retiring CEO of ExxonMobil. Do you remember his retirement gift from ExxonMobil? After totaling up the largest profits in the history of the company, they gave him—not a gold ring, not an engraved plaque—they gave him $400 million as a retirement gift for leaving ExxonMobil. And there is better news coming. This bill will give Mr. Raymond an additional $2.5 million tax cut. There is a guy who really needs it—really needs it—$400 million, and he did not even have to buy a Powerball ticket. And now the Republicans say: Come on. Give the guy a break. Give him a tax cut.

What is wrong with this picture? What is wrong with this picture is that the tax cuts are not only unfair, they are building a wall of debt. The legacy of the Bush administration will be the biggest increase in the debt of America in our history.

Look at this chart. When this President took office, our national debt ceiling was $5.8 trillion. By this year it is up to $8.6 trillion. The mortgage on America has grown faster under this

President than any other President in our history, and more than a third of the responsibility is the President's tax cuts. Do you know why? He is the first President in the history of the United States of America to ever cut taxes in the midst of a war—the first.

Why didn't other Presidents cut taxes in the middle of a war? It did not make sense. Along comes a war that costs you $2 billion a week, and you are going to cut taxes? Don't you know that is going to drive your country into debt? This President should know that. Our Republican colleagues should know that. But they are ignoring it.

And as we are debating this bill, do you know why we are moving on it so fast? We got word this week that they are going to have to raise the debt ceiling again. We just raised it a few weeks ago. We are going to have to raise the mortgage on America again because the fiscal policies of the Bush administration have failed so utterly.

Well, we have time to do this. We do not have time to debate stem cell research. We do not have time to have a real Health Care Week. But we have time to pile debt on our kids. That is what this is all about.

If you want to know the foreign-held debt of America, take a look at this chart. Who are the mortgage bankers for America? Japan, No. 1, with $673 billion; China, No. 2, with $265 billion; and the list goes on. We have to borrow money from foreign countries to float our debt. They loan us money so we can keep going and give tax cuts to the wealthiest people in America, knowing full well that any of these foreign countries could turn on us tomorrow and say, ''We are sick and tired of the dollar. We are moving to the Euro or some other standard,'' and our economy would be paralyzed as a result of it.

It is the height of irresponsibility—height of irresponsibility—for us to drive this Nation so deeply into debt, particularly from a party that used to pride itself on being a fiscally conservative party. He is the first President to raise taxes in the midst of a war, giving tax cuts to the wealthiest people in this Nation, piling debt on children to the point we have never seen in our history, and borrowing money from foreign governments at a rate we have never seen.

This chart indicates that in the history of the United States, before George W. Bush was elected President, 42 other men held the Presidency. In that entire 224-year period of time, in the history of the United States, all of the previous Presidents borrowed $1.01 trillion in foreign-held debt for America—$1.01 trillion. This President, in 5 years, has borrowed $1.22 trillion. That is more than double the foreign-held debt.

Is America safer and more secure because of this? Of course not. And you know what the impact of this is. Remember the debate over Dubai Ports? More and more of these countries awash in dollars they have loaned us are now coming into the United States to invest. They are becoming a bigger part of our economy. So it is not just debt for our children; it is squandering our economic future. And that is a priority that this Republican majority wants to move to today.

When you consider who wins and who loses in Washington, it is very clear. Big oil wins with this bill, and not just Mr. Raymond who got a $2.5 million tax break. Two Senate provisions would have collected nearly $6 billion from oil and gas companies such as ExxonMobil, Chevron, and ConocoPhillips. The Republican majority took them out of the bill. At a time when the oil companies are experiencing the greatest profits in their history, the Republican majority has decided this is not the time to tax them, this is not the time to ask them to give back to America. So they stripped out the tax provisions on big oil.

The lobbyists for the financial service companies did very well, too. Citigroup, GE, and JPMorgan will be able to delay paying taxes on profits they make overseas. What is it worth to them? It is worth $4.8 billion. Why are we providing tax giveaways to companies to keep their profits overseas? Why is our Tax Code rewarding conduct that ships jobs overseas? The Republican majority thinks this makes as much sense as giving tax cuts to people who make $1 million a year.

Who are the losers? Well, every American is going to end up losing because our national debt is going to grow dramatically because of this irresponsible fiscal policy.

This bill, sadly, will not allow Americans to deduct State and local sales taxes. School teachers who buy their classroom supplies have lost their deduction. Families paying college tuition will not be able to deduct the tuition from their taxes. Fewer people will be hired from welfare to work. Businesses working to do research and develop new technologies will not get the tax credits they have had. These are only some of the losers.

But the real losers are the American kids. The kids are going to have to pay for this: $2 trillion that the Bush tax cuts have added to the debt of America—$2 trillion.

Our national deficit is expected to exceed $11 trillion within 5 years. The money we are spending today is not free, no matter how much we pretend it is. Someday we are going to have to pay for it. I should say someday our children will have to pay for it.

So this President—the first in history to cut taxes in the midst of a war, the first President to amass a wall of debt larger than every other President before him when it comes to foreign debt, the first President in history to create a $9 trillion IOU for our kids to pay—is going to have his chance in a few moments with his bill that he so dearly believes in. And you will find that his party will stand behind him.

The President's popularity is not at a high point. Obviously, the Republican Senators believe the way to win the next election is to keep digging the deficit hole deeper. What we are witnessing here is not a debate about tax policy. It is the death rattle of a failed Bush economic policy.

I would say to my friends on the other side of the aisle, I admire your consistency. You stick with the program even though the debt has become unbearable. You stick with it even when conservatives in your own party can no longer explain what your party stands for. You stick with it when we are in a war that costs us $2 billion a week. You stick with it even though we have become indebted further and further to foreign countries, which, if they called in the debt, would make life miserable for this entire Nation. At least you are consistent.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I would also say, we know what the other side believes in. We know they believe in higher taxes. We know they believe in more Government spending. We have seen amendment after amendment come here.

I cannot believe I hear again, repeatedly, from the other side of the aisle the woe and complaint about deficits when it comes to letting people keep their money, but no concern about deficits when it comes to spending and increasing the size of Government.

I want to correct the Senator from Illinois on a couple of points he made with respect to the Medicare Program. He said I was wrong when I said the Nelson amendment lost. He said it got 52 votes. Well, a motion to waive the Budget Act requires 60 votes. Fifty-two is less than 60. It lost. I want to make sure the Record is clear that I was correct and, in fact, the amendment did lose.

I also want to make sure the Record is clear when it comes to low-income eligible seniors signing up for Medicare. The Senator from Illinois said more than half the people who need to go out and sign up for Medicare have not done so. The bottom line is, my understanding is, according to the HHS News of May 10, 2006, a total of 37 million seniors have signed up for the Medicare prescription drug coverage, of a total of around 44 million to 45 million seniors. Now, that does not look like half to me. It looks like a lot more than half have signed up, and a very small percentage have not.

As far as low-income individuals, 10 million of the 13 million have signed up for the program. And those who have not signed up and do not sign up by May 15 will not be penalized. They will suffer no penalty. So if you are a low-income individual, you will not suffer a penalty.

So let's understand now, 37 million have signed up, and there are 3 more million who, if they do not sign up, will not receive a penalty. So you have 40 million people who either signed up or will not receive a penalty for not signing up, which leaves about 4 million people who will receive a penalty if, in fact, they do not sign up.

Again, there were still, as of this number, 5 days. And as we have seen with other programs—just like as with Congress, we wait until the last minute to do things—we will probably see, and I think we are evidencing, there will be a number of people who will come in and sign up.

The other thing is, believe it or not—I know this is hard for some to believe—some people do not want the program. Some people do not want to participate in a Government program. They are very happy to not participate. They are very happy to purchase their prescriptions on their own.

I know that might come as a shock to some, but there are people who don't like to participate in Government programs, who don't participate in a whole variety of programs the Federal Government offers. As we know, with Medicaid there are lots of people who do not participate. With Medicare, there are people who do not participate, even though they can. It has nothing do with complexity, when you have that high a percentage, much higher than was anticipated by all of those who looked at this, including the Congressional Budget Office. And if you look at the satisfaction of people who have been in the program, more than three-quarters of the people surveyed said they are happy with the benefit. So let's get the facts right.

The reason the Democratic whip objected to Senator ENZI's request to move to a vote on cloture allowing the Durbin-Lincoln amendment was because they don't want to move to cloture. They don't want to pass small business health plans. They don't want to make this happen for small businesses because of another ideology they stick to. That is, they want a big Government-run health care system, and they don't want us to cover other people. I appreciate their sticking to their ideology, even though it has been proven to be a failure in every other country where it has been used and is not popular with the American public.

Mr. FEINGOLD. Mr. President, I will oppose H.R. 4297. It fails in nearly every aspect to justify enactment, but among the biggest of its defects is that it adds $70 billion to our already mounting deficits. The last thing we should be doing is adding to the burden already facing our children and grandchildren.

What are we getting in exchange for this fiscal recklessness? Are we addressing some urgent tax need? Perhaps this bill finally gives us the kind of reform of the alternative minimum tax that is so clearly needed. No, we get another 1-year patch on the AMT problem, and that is it. This bill does nothing further to fix the AMT because the real tax agenda in this bill is to enact dividend and capital gains tax cuts of dubious merit, and which do not take effect for 2 years.

Two years, Mr. President. We are running up a $70 billion credit card tab, and handing it over to our kids to pay, just so we will have a tax cut that takes effect in 2 years.

Worse, the body is once again abusing the reconciliation process in order to shield these questionable tax cuts from the kind of scrutiny they so clearly need. Make no mistake: This bill would never pass without this abusive use of reconciliation. The benefits of this bill are grossly skewed to the most well off. The Center on Budget and Policy Priorities notes that this tax bill provides middle-income households with an average tax cut of $20, about the price of two medium sized pizzas. By contrast, households with incomes over $1 million will get an average tax cut of $42,000, the price of a Lexus. Altogether, more than half of the benefits from this bill will go to the top 3 percent of households, those making $200,000 or more.

Moreover, in order to squeeze those questionable tax cuts into the limited space afforded by the reconciliation maneuver, the conferees have resorted to an outrageous bookkeeping gimmick which shifts revenues that would have been collected in the future to the current budget window. The Roth IRA conversion provisions permit individuals with incomes over $110,000 and married couples with incomes over $160,000 to shift savings into tax sheltered Roth IRAs. The net result is to spend revenues from future budgets to shoehorn through grossly unbalanced tax cuts now. The Center on Budget and Policy priorities notes that by 2050, the Roth IRA provision, which is being used as a temporary revenue enhancer, will actually reduce revenues by $14 billion in present value terms.

As I have had to note too many times, when we choose to spend on current consumption—through appropriated accounts, mandatory spending, or tax cuts—without paying for that spending, we are robbing our children of their own choices. When we spend on our wants, by cutting taxes or through government programs, without paying for those decisions, we are saddling our children and even grandchildren with debts that they must pay from their tax dollars and their hard work.

That is exactly what this bill does. The Roth IRA maneuver, along with the billions in pure deficit spending contained in this bill, comes out of our children's wallets. By digging the deficit ditch even deeper, and by spending future revenues on tax cuts today, we are adding even more debt to the bill with which we are passing on to our children and even grandchildren. As a result, our children will have to forego program benefits or pay higher taxes.

This tax bill is an abuse of the reconciliation process, a process designed to reduce the deficit not aggravate it. The tax policy it encompasses is fiscally reckless and economically regressive. And this legislation fails to address a tax problem that is truly urgent, the mounting problems with the alternative minimum tax. The Senate should reject this bill.

Mrs. MURRAY. Mr. President, with their latest tax plan, Republicans are showing once again that they care more about giving tax breaks to millionaires than helping working families.

Republicans said this week would be health care week. While it is insulting to devote only 1 week to such a critical issue, it's even more troubling that Republicans pulled the plug on health care week in favor of even more tax breaks for the rich. This tax bill and the Senate's failure to help families with the soaring cost of health care are further proof that Republicans have the wrong priorities.

If we want to make America strong again, we need to invest here at home. Today middle-class families throughout Washington State and the country are struggling to pay for the skyrocketing costs of gas, college tuition, and health care. Instead of helping these hardworking families, Republicans have once again decided to leave the middle class behind.

While I am pleased that this bill includes a 1-year patch for the alternative minimum tax, there is not much else to be pleased about in this bill. According to the Tax Policy Center, this tax bill would provide middle income families an average tax cut of just $20, while millionaires would get an average tax cut of $42,000. Rather than extending the middle-class tax cuts that have already expired or will expire at the end of the year, Republicans have again turned their backs on the middle class. The Republican bill also denies families in my home State the ability to deduct their State sales taxes. It blocks teachers from deducting the cost of classroom expenses they pay out of their own pockets. It denies businesses access to the research and development tax credit which I helped extend in September 2004.

On its own, this bill has the wrong priorities, but when you look at the bigger picture a more disturbing pattern is clear. This tax bill is the second part of last year's budget resolution. The first part of the budget resolution, which was enacted in February, cut $39 billion from important areas like health care and education. When we passed that bill, we were told that the bill was necessary to reduce the deficit. Yet today we are presented with a tax bill that in fact increases the deficit by $30 billion and adds to our massive debt.

We need a tax system that is fiscally responsible, helps business grow, and provides maximum relief to the middle class, but this bill achieves none of this. Instead it takes out a loan against our children's future and adds to the deficit. This tax bill makes it more difficult for us to address other important priorities like homeland security, paying for the war in Iraq, our nation's infrastructure, health care, and education. This is the wrong tax plan, at the wrong time, for the wrong reasons.

Mr. LEVIN. Mr. President, this tax reconciliation conference report before us today sets a new standard for irresponsibility. It is a huge giveaway to the wealthiest among us that is papered over by a disingenuous effort to increase short-term revenues at a great long-term cost. Like so many of the bills we have considered recently, this conference report fails to invest in our Nation's priorities while driving us deeper and deeper into debt.

Perhaps the most outrageous aspect of this bill is how deeply unfair it is. According to the Tax Policy Center, 87 percent of the benefits of this bill would flow to the 14 percent of households with incomes above $100,000; 55 percent of the benefits would go those with incomes above $200,000; and households earning more than $1 million a year, which account for only 0.2 percent of all households, would receive 22 percent of the benefits of these tax cuts.

In contrast, the three-quarters of American households with incomes below $75,000 would receive just 5 percent of the benefits. And the 60 percent of households with incomes below $50,000 would receive less than 2 percent of all benefits. Approximately three-quarters of Michigan taxpayers would receive no benefit at all from the bill's most expensive provision an extension of the capital gains and dividends tax cuts.

The inequities in this bill are even more glaring when you look at the actual dollars. The average tax cut for the middle 20 percent of households would be just $20, while the top one percent would get $13,800. For those with incomes above $1 million, the average tax cut would be $42,000.

What is even more brazen about this bill is that, with an outrageous accounting gimmick, it purports to pay for a portion of these tax cuts for the wealthy by giving even more tax cuts to the wealthy. Proponents of extending the capital gains and dividends tax cuts had to find a way around a Senate rule that says a reconciliation bill may not increase long-term deficits. One way would have been for 60 senators to vote to waive the rule, but it was not likely that there would be 60 votes for this expensive and inequitable proposal. Instead, proponents have resorted to a devious circumvention of this rule by pretending to offset the long-term costs with a provision that will increase revenue in the short-term before turning into a sea of red ink in later years.

Right now, individuals with incomes above $110,000 and couples with incomes above $160,000 cannot contribute to a Roth IRA. Furthermore, only those with incomes over $100,000 are prohibited from converting traditional IRAs to Roth IRAs. This bill would lift both of those caps beginning in 2010, meaning that a large number of high-income households will convert their traditional IRAs to Roth IRAs because funds in a Roth IRA are tax free when withdrawn in retirement. As taxes are paid on the funds being contributed to Roth IRAs, the Treasury will see an increase in revenues over a few years, but the Treasury will lose revenues on investment gains for years down the line.

The Joint Committee on Taxation, the Congressional Research Service, and other nonpartisan experts agree that this proposal will ultimately result in a significant net revenue loss, even once interest is taken into account.

So how did a revenue-loser get dressed up as a revenue-raiser in this bill? As a rule, official Joint Committee on Taxation estimates do not look past the next 10 years, so if the decrease in revenues doesn't occur before 2017, it doesn't show up in the Joint Committee's estimate. Thus, for purposes of the Senate's rules, it is as though it doesn't happen. But in the real world, it will happen. This is a transparent gimmick, designed to indulge this Congress's addiction to irresponsible spending.

We owe it to our children and grandchildren not to continue building up this massive debt. Today, each American citizen's share of the debt is almost $28,000, and that will rise to more than $39,000 by 2016. Paying off this debt will require either extraordinary tax increases or significant cuts in critical areas such as defense or Social Security. Tragically, it will mean that an increasing number of taxpayer dollars will be spent not on moving America forward but simply on treading water by making interest payments to our creditors, most of whom are foreign countries.

One of the few bright spots in the bill that the Senate passed last November was the meaningful antitax shelter provisions. Sadly, even these have now been dropped from this conference report. House Republicans once again rejected the economic substance provision that the Senate has passed many times and that would prohibit abusive tax shelters that have no economic purpose other than tax avoidance. The Senate bill also included an amendment that Senator COLEMAN and I pushed for that would increase penalties on those who promote abusive tax shelter schemes and the banks, law firms and others that aid and abet in these complex shenanigans. Dropping these provisions is a disappointment that only benefits powerful special interests.

Finally, this bill misses yet another opportunity by failing to limit any of the unnecessary tax breaks currently enjoyed by major oil companies which are reaping record profits. In fact, the conference committee struck one of few provisions in the Senate bill that might have helped. The Senate bill had a provision that would have allowed taxpayers caught by the AMT to still enjoy the benefit of the consumer tax credits allowed for the purchase of hybrid and other alternative vehicles. Unfortunately, this provision, too, was omitted in conference.

Although the overwhelming majority of this bill is completely misguided, I do support one positive provision in it—extending for 1 year the patch that prevents middle income families from being slapped with the alternative minimum tax. The AMT was originally created to make sure that the wealthiest Americans paid at least a minimum amount of tax. Because the AMT is not indexed to inflation, however, it is affecting many more taxpayers today. At a time when median family income is falling, middle-income families need all of the help they can get, and they certainly don't need to be socked with an unintended tax increase.

Unfortunately, this bill provides the AMT fix for only 1 year. It makes no sense to extend the capital gains and dividend tax cuts to 2010 and give AMT relief only through the end of 2006. We all know that the reason this bill does not offer longer AMT relief is because the fix so expensive—$33 billion for just 1-year. Knowing that we'll need to do a similar fix to cover future years and leaving the fix out to mask the real costs of the Bush policies, makes this costly bill all the more irresponsible. Finding a more permanent fix for AMT is a cost that we all know is coming, and we should not continue to ignore it in our fiscal policies.

Not only do we need to provide AMT relief for years past 2006, but we also need to pay for it. When the Senate originally considered its version of this bill, many of us supported an alternative package offered by Senator CONRAD. That package would have paid for extending all of the tax cuts that expired at the end of 2005, including AMT relief and the important R&D tax credit. It would have raised this needed revenue by closing many loopholes in our current tax system, including one that allows oil companies to avoid taxation on foreign operations. Unfortunately, Senator CONRAD's amendment was defeated on a nearly partyline vote of 44 to 52.

As a result of these many misplaced priorities, the bill before us today is an irresponsible giveaway to powerful industries and the wealthiest among us that will drive us deeper into the deficit ditch. And it uses outrageous shenanigans to hide its true cost. We do need to fix the AMT, but we also need fiscal responsibility, and we need policies that will build economic security for all Americans, not just those at the top who are already very secure economically.

Lower and middle-income families are getting squeezed from all sides, with the costs of essentials like gas, health insurance, and education going through the roof. And, as we have seen in Michigan, our Nation is hemorrhaging manufacturing jobs, and median family income is falling. We need to be investing in our people and in our future, but this bill would take a giant step backward. The tax cuts for the wealthy in this bill are totally out of whack with what America needs right now, and I will vote against this irresponsible conference report.

Mr. SARBANES. Mr. President, we have before us more of the same—tax reconciliation legislation that further undermines our underlying fiscal health while providing extraordinary, generous benefits for the very wealthy but little relief for hard-working, hard-pressed, middle-class Americans. As an editorial in today's New York Times says pointedly, ''There's nothing in it for most Americans, and yet all Americans will pay its cost. . . .''

The Republican conferees who produced this conference report made a series of critical choices. Rather than providing tax relief for millions of middle-class Americans, they have given most of the $70 billion to the wealthy few.

Rather than extending critical tax provisions that expired at the end of last year—like the research and development tax credit, the college tuition deduction, and the credit for teachers who use their own money for classroom expenses—they have extended tax cuts for the wealthy, which do not expire until 2009. Rather than finding ways to help Americans address the tremendous prices at the gas pumps, they have allowed the big oil companies to continue enjoying their large tax breaks and Government giveaways. Rather than charting a course to fiscal responsibility a change in direction long overdue they have presented us with a bill whose $70 billion in tax cuts will only add to the already-massive Federal deficit, and whose budgetary gimmicks will cost the country billions of additional dollars in the years to come. Among the most egregious of the gimmicks is the provision allowing wealthy taxpayers to contribute more to their Roth retirement accounts. While it provides revenue at this time to offset the costs of the bill's other tax cuts for the wealthy in the near term, it will cost billions and billions of dollars in lost revenue in the future, and this cost will be borne by future generations of working Americans.

An editorial in this morning's Washington Post sums up this legislation succinctly: ''Budgetary dishonesty, distributional unfairness, fiscal irresponsibility,'' adding ''by now the words are so familiar, it can be hard to appreciate how damaging this fiscal course will be.''

Again and again, the administration points to figures on the growth in the economy that mask the clear, deeply disturbing underlying trends that show the income gap widening. Just the title of an article that appeared in the March 27th Wall Street Journal tells the story: ''Wages Fail to Keep Pace With Productivity Increases, Aggravating Income Inequality.''

Indeed, while the wealthy are getting richer, the incomes of the middle class and the poor have been steadily declining. There is an abundance of evidence on this point. As a New York Times editorial, entitled ''Barely Staying Afloat,'' noted yesterday, more than 37 million Americans now live below the poverty line, and an additional 54 million live between the poverty line and double the poverty line the so-called ''near poor.'' The Washington Post, in another editorial this past Sunday, reported that real income of families in the middle 20 percent has grown only 12 percent since 1980, while the incomes of those in the top 10th have grown an astonishing 67 percent. Those who are fortunate enough to find themselves in the top 1 percent have seen their incomes more than double.

The bill before us reinforces this trend, delivering handsome benefits to the very wealthy, while providing precious little for middle- and lower-class Americans. According to a report recently released by the joint Brookings-Urban Institute Tax Policy Center, approximately 87 percent of this bill's benefits will go to the 14 percent of households with incomes above $100,000, while 55 percent of the benefits will go to the 3 percent of those with incomes over $200,000. While millionaires represent only two-tenths of 1 percent of our population, they will receive 22 percent of this bill's largesse. In terms of real dollars, families in the middle 20 percent of income will receive an average of only $20 in benefits from this bill. In stark contrast, those in the top 1 percent will receive an average of $13,800. Even more troubling, those with an income of over $1 million will benefit by an average of $42,000. This means that millionaires will receive on average 2,100 times as much from this bill as those in the middle 20 percent of society.

Not only are these tax cuts skewed to the wealthiest among us, they further skew the fiscal dilemma that the Nation now confronts. When President Bush took office in 2001, the Federal budget was in surplus for the third consecutive year. In 1998, the Federal Government had reported its first surplus in the budget since the 1960s, and surpluses of $5.6 trillion were projected over a period of 10 years. This very strong fiscal situation put the Nation in a position to pay down the large national debt that had been accumulated as we moved through the 1980s and into the 1990s. Instead President Bush squandered the projected surpluses by instituting irresponsible and reckless tax cuts. When the history of this period is written, the fiscal policy of this administration will be regarded as a gross irresponsibility.

When the President submitted his first budget proposal, he asserted: ''We can proceed with tax relief without fear of budget deficits, even if the economy softens.'' The following year, 2002, with the budget already in deficit, the President called for yet another tax cut, promising that ''our budget will run a deficit that will be small and short term.'' In fact, the President's budget in that year confidently asserted that the deficits would be so short term that by this year 2006 the budget would be back in surplus.

In fact, exactly the opposite has happened. Consistent with the irresponsible fiscal policy that this President has pursued, we have run deficits each and every year since 2001. We went from a surplus of $128 billion in 2001 to a deficit $158 billion in 2002 a swing of $286 billion. The deficit rose to $378 billion in 2003, rose again in 2004 to $413 billion, fell slightly in 2005 to $319 billion, and is now projected to go back up again in 2006 to $371 billion. Far from being small and short term, these deficits are at record levels. Every year, the goal of returning to fiscal balance recedes, as administration policies drive us deeper into debt.

Much of this debt is held by foreign lenders, and that amount is growing all the time. At the end of fiscal year 2001, 31 percent of the outstanding Federal Government debt was held by foreign lenders. Over the succeeding 4 years, borrowing from abroad accounted for more than 80 percent of the increase in our Government debt. So as we have seen the debt rise, the proportion of that debt held by foreign lenders has risen at a much more rapid rate. As our borrowing abroad increases, a shift has also occurred from private to Government lenders.

If foreign lenders continue to buy 80 percent of new Federal debt, the Federal Government will owe more than half of the debt to foreign lenders by 2011. In other words, as Blanche DuBois says in Tennessee Williams' play ''A Streetcar Named Desire,'' we will be dependent on ''the kindness of strangers.

I opposed the President's tax plan as unfair and irresponsible at the time the budget was in surplus, and I oppose the legislation before us today. It is unfair and it is irresponsible, and I urge my colleagues to vote against it.

Mr. VOINOVICH. Mr. President, I rise to speak on the reconciliation bill that is before the Senate.

There are three reasons we should oppose the tax cuts that are currently before the Senate, as well as tax cuts that may come before the Senate in the near future:

No. 1, we do not need these tax cuts;

No. 2, we cannot afford these tax cuts; and

No. 3, we should be working on tax reform rather than enacting tax cuts in a piece-meal fashion.

Mr. President, we do not need these tax cuts now. In short, the economy is already growing. The Nation's gross domestic product grew by over 4 percent in both 2003 and 2004 and 3.5 percent in 2005. In the first quarter of 2006, it was reported that the economy grew at 4.8 percent. Additionally, unemployment has dropped from 6.6 percent to the current 4.7 percent.

The stock markets have regained their strength over time. In fact, proponents of tax cuts point to the stock market as an indicator of the Nation's economic growth and have stated that if tax cuts are not made permanent, we threaten to send our stock market, and consequently the economy, into a tailspin. The growth in the stock market may have coincided with the enactment of certain tax cuts, but as the Wall Street Journal reported, ''A group of Federal Reserve Board economists concludes that the tax cut, which slashed the dividend-income tax on stocks to 15 percent from about 30–38 percent, was a dud when it came to boosting the stock market when it was announced and passed in 2003.''

Moreover, I would argue there are other factors, arguably much larger in scope and importance, which played into the market's, as well as the Nation's economic growth. A rational individual would conclude that the historic lows in interest rates played a large role not only in providing cheap capital for business expansion but also to spur the housing market. As former-Chairman of the Federal Reserve Alan Greenspan indicated, there are factors outside the control of the Federal Government that have led to long-term growth, including the boon in productivity fueled by technology as well as the relative strength of the world economy.

I do not doubt that tax cuts have some effect on the economy. In fact, some may point out that I supported two of the largest tax cuts to be enacted in American history, the tax cuts in 2001 and 2003. In both of these instances I looked at the facts that were before me and came to the conclusion that supporting these tax cuts was the right policy decision. But they were the right policy decision for two distinctly different reasons.

In 2001, our Nation was facing a starkly different fiscal picture than what we have today. At that time, the 10-year surplus was estimated to be $5.6 trillion. There was a surplus on the table, and Congress was faced with two choices: spend the money or give it back to the taxpayer. I chose to get that money off the table and out of Washington so it could not be spent, but I made this decision based on the premise of using the surplus as a three-legged stool: providing tax cuts, paying down the debt, and controlling spending.

On June 7, 2001, the President signed the Economic Growth and Tax Relief Reconciliation Act. I voted for this bill, which reduced the individual income tax rates that apply to taxable income, increased the child tax credit to $1,000 and extended it to smaller families, addressed the ''marriage penalty,'' phased out the Federal estate tax over the period 2002–2010, provided a temporary reduction in the alternative minimum tax, and provided some savings incentives and child care credits.

In 2003, our Nation faced a very different scenario. The country was still reeling from September 11, fighting the war against terror and trying to rebound from corporate accounting scandals. We needed stimulative medicine to ensure that the economy did not sink further into the doldrums. While I supported these tax cuts, I fought to ensure that the amount was the right balance between needed stimulus and taking the deficit into consideration. I joined Senators OLYMPIA SNOWE, JOHN BREAU, and MAX BAUCUS to get the $350 billion that was eventually enacted.

On May 28, 2003, the President signed the Jobs and Growth Tax Relief Reconciliation Act into law. We accelerated the cuts from the 2001 tax bill such as the individual income tax cuts, the child tax credit and the marriage penalty relief. We also extended the alternative minimum tax, AMT, again and reduce the rate on both dividends and capital gains to 15 percent for higher tax brackets and 5 percent for those in the lower tax brackets.

Mr. President, the world has changed again. Just as the decisions I made in 2001 and 2003 were not made in a static environment, I now look at the economic outlook facing our Nation, as well as the ongoing needs I know this government will have to fund.

The second reason we should not move forward on tax cuts is that we cannot afford them. Our fiscal health is in dire straits. In the simplest terms, the Federal Government continues to spend more than it takes in. In case anyone has forgotten, the deficit for Fiscal Year 2005 was $318 billion. This was the third highest deficit in our Nation's history. The first and second largest deficits occurred Fiscal Year 2003 and Fiscal Year 2004.

When I came to the Senate in 1999, the national debt stood at $5.6 trillion. The national debt now stands at $8.4 trillion, an increase of about 50 percent. As a percentage of gross domestic product, GDP, our national debt has grown from being 58 percent of GDP at the end of 2000 to an estimated 66.1 percent of GDP by the end of 2006.

In fact, the debt continues to grow so quickly that the House of Representative's Fiscal Year 2007 budget resolution is reported to contain a provision that would raise the Federal debt ceiling to nearly $10 trillion. This is less than 2 months after Congress was forced to raise the debt ceiling from the previous ceiling.

According to the reports from Medicare and Social Security trustees, the trust funds for these programs will be exhausted even earlier than previously thought. According to the most recent trustees' report, the cost of Social Security and Medicare will grow from nearly 7.4 percent of the economy today to 12.7 percent by 2030, consuming approximately not just 60 percent as predicted by the administration but 70 percent of all Federal revenues, crowding out all other discretionary spending and some other mandatory programs.

I am for entitlement reform. Senator GREGG took the first step last year with the deficit reduction bill of 2005. I voted for that bill. We need to do more to reform entitlements. No matter which way you look at it, entitlement programs coupled with an ever increasing national debt are staring down on our children and grandchildren.

Some Members believe that the solution is to grow the economy out of the problem, that by cutting taxes permanently the economy will eventually raise enough revenue to offset any current losses to the U.S. Treasury. I respectfully disagree with that assertion. I do not believe that in the current situation our country faces, we can continue to spend more than we take in.

In November 2005, former Federal Reserve Chairman Alan Greenspan testified before the Joint Economic Committee and told Congress:

> We should not be cutting taxes by borrowing. We do not have the capability of having both productive tax cuts, and large expenditure increases, and presume that the deficit doesn't matter.

That is exactly what we have been doing the last several years.

I have said many times on this floor that our major problem is we are unwilling to pay for or go without what we want to get done. We have been willing, time and time again, to put the cost of our current spending on the credit cards of our children and grandchildren. To be candid and fair, we have had no choice in much of the spending since September 11. The Federal Government had to rebuild after September 11. We have made the decision to increase security for the homeland. We have to fund the war in Iraq and Afghanistan. And we have to rebuild after the devastation of dealing with Hurricanes Katrina and Rita.

What we should be doing is spending our time on tax reform. The Tax Code has nearly universal disapproval for its complexity and magnitude. As the one who amended and pushed for the creation of the task force on tax reform in 2003 and 2004, I was delighted when the President said, in his 2004 convention acceptance speech, he would move forward with tax reform. We all know that fundamental tax reform is critical, and as we consider these and future tax provisions, it becomes more and more clear we need to overhaul our tax code.

I simply cannot understand why some of my colleagues want to make so many provisions of the current tax code permanent or add new tax cuts when we very well may be eliminating precisely the same provisions as part of fundamental tax reform. No homeowner would remodel their kitchen and bathroom right before tearing down the house to build a newer and better one.

Frankly, one of the measures in the reconciliation bill I do have sympathy for and that is the patch for the AMT. Like the Sword of Damocles, it hangs over Congress's head nearly annually as it threatens to swallow more middle-class taxpayers. We do need to fix the AMT. Unfortunately, every year we move forward with a piece-meal tax policy, we delay action on permanently fixing the AMT, which will cost over $500 billion. When will we wake up and face the music on AMT?

Additionally, simplifying the code to make it more fair and honest could, by some estimates, save taxpayers over $265 billion in costs associated with preparing their taxes. That would be a real tax reduction, and it would not cost the Treasury one darn dime. It would be a tax cut that would guarantee that people are paying their fair share and would bring more money into the Federal Treasury.

According to the Tax Foundation, we lose about 22 cents of every dollar of income tax collected in compliance costs. That amount adds up to the combined budgets of the Departments of Education, Homeland Security, Justice, Treasury, Labor, Transportation, Veterans Affairs, Health and Human Services, and NASA.

Mr. President, the bottom line is we do not need less revenue, we need more revenue. As a recent Wall Street Journal article states, ''federal taxes amounted to 17.5 percent of gross domestic product, up from a modern low of 16.3 percent in 2004, but well below the high of nearly 21 percent in 2000 . . . keeping the tax burden low will be difficult. Last year, the federal government's spending exceeded its tax take by about $318 billion. And the retirement of the baby-boom generation starting in 2011 could cause spending on big-ticket federal retirement programs to jump.'' I could not have stated it better myself except I would utilize the on-budget deficit. In other words, if you exclude the Social Security surplus, money that I believe should be utilized for its intended purpose rather than funding the government, the deficit was actually almost $492 billion. This number is even worse if we took the Department of Treasury's accrual number for FY2005, which was a deficit of $760 billion.

I know this is controversial to state, but if you look at the extraordinary and unexpected costs that we have with the war on terror, homeland security costs, and rebuilding after Hurricanes Katrina and Rita, the logical thing that one would think about is to ask for a temporary tax increase to pay for them today. Instead, we are saying we will let our children and grandchildren take care of these costs.

The people who are sacrificing today in this country are those who have lost men and women in the war against terror. The people who have sacrificed today are the ones who have come back without their arms and legs, thousands of them. They are making the sacrifice. The question I ask is, what sacrifice are we making?

The simple fact is that we can not have it all—we need to set priorities and make hard choices—otherwise our children will end up paying for it. Anyone in the know who is watching us has got to wonder about our character, our intellectual honesty, our concern about our national security, our Nation's competitiveness in the global marketplace now and in the future, and last but not least, our ''don't-give-a-darn'' attitude about the standard of living and quality of life of our children and grandchildren.

The simple fact is we cannot have it all. We need to set priorities and make hard choices; otherwise, our children will end up paying for it.

Mr. JOHNSON. Mr. President, today I wanted to talk briefly about the current debate on S. 1955 and what is supposed to be Health Week in the Senate. It was my hope and the hope of many of my colleagues that this week would bring about changes to improve health care for South Dakotans and all Americans. This week should have provided an opportunity to debate many important and critical issues, but unfortunately the direction being taken is anything but productive and meaningful.

A real Health Week would be about many things, including addressing problems with the Medicare Part D Program. In recent months, I have held several meetings in my home State with seniors, advocates, pharmacists, and other health providers about the program. What I have heard over and over again is that the benefit is not only confusing for beneficiaries but also often not adequately address prescription drug costs. It has also been unrealistically demanding on pharmacists and other health care providers, literally threatening community pharmacists' abilities to keep their doors open.

While the administration continues to tout their estimated number of beneficiaries enrolled in Part D, the reality in small towns across South Dakota paints a very different picture. Supporters of the Part D Program have marketed the low-income benefit as one of the most important and beneficial aspects of the program. While I did not support the bill that is now law because I believe its basic structure is flawed, I have always conceded that the low-income provisions will help those seniors in need, and we should be doing what we can to make sure seniors who are eligible are informed about their choices.

Unfortunately, the administration has done a poor job of ensuring that those most likely to see a benefit from the program are actually enrolled. In my State, there are 29,000 beneficiaries eligible for the low-income benefit, and according to a recent estimate by Families USA, only 9 percent of individuals have been enrolled. These are everyday South Dakotans with limited resources and support and they need help.

Part of the problem is that the program is just too complicated and not being administered effectively. Just last week, the Government Accountability Office released a report that indicated that when beneficiaries contact the Centers for Medicare and Medicaid services, only 41 percent of questions are answered correctly regarding which plans are the least expensive and most appropriate for them. This is simply unacceptable, and frankly all of my colleagues should be outraged by this statistic. This is a problem that must be addressed, and during this time of debate on health care, we should be working toward enacting changes that will make things better.

Meanwhile, the clock keeps ticking toward the deadline for enrolling in the program. After May 15, only 5 days from now, seniors will suffer a penalty for late enrollment. CMS cannot even answer questions correctly—questions that are essential in order to help seniors select a drug plan that works for them, but the administration insists on penalizing seniors for delaying their decision regarding participation. All this time, drug companies and insurance companies continue to see the checks roll in. Negotiating lower drug prices under Medicare Part D, extending the enrollment for the program, and making the program be more accountable to seniors—these are the things we should be dealing with right now and what Health Week should be about.

Health Week should also be about passing embryonic stem cell research legislation that will create a path toward cures for many diseases plaguing our society. It is hard to believe that on May 24, it will have been 1 year since the House passed its bill, the Stem Cell Research Enhancement Act of 2005 or H.R. 810.

I am strongly in favor allowing a closely monitored and controlled stem cell research effort to go forward using frozen fertilized embryos that would otherwise be incinerated as medical waste, and I am a cosponsor of S. 471 which was introduced by Senator SPECTER and is cosponsored by 41 of my colleagues here in the Senate.

I believe these cells, which are created by the hundreds of thousands at fertility clinics, would be better used to advance medical research that holds great promise for curing or preventing some of the world's worst diseases, as well as repairing spinal cord and other injuries. This type of research is overwhelmingly supported by the American public and by a broad range of health, science, and disease advocacy groups.

I have met with and heard from hundreds if not thousands of South Dakotans and their families, encouraging me to support vital, life-giving research, including embryonic stem cell research, and I agree. My values and my faith tell me to support lifesaving research which will provide cures and therapies for devastating illnesses such as diabetes and Parkinson's disease. The majority leader has indicated in the past that he will allow an up-or-down vote on stem cell research on the Senate floor, and it is unfortunate that my colleagues on the other side of the aisle will not permit us to move forward, right now, on this issue.

A real Health Week would also be about promoting a health insurance proposal that does help small business, but does so in such a way that protects consumers and does not infringe on State rights to regulate the health insurance market. The Health Insurance Marketplace Modernization Act or S. 1955 would make health care coverage more affordable in many cases but would do so at the expense of providing meaningful coverage to consumers.

South Dakota has mandated that insurance companies that want to offer plans in the State must provide some basic services including diabetic supplies and education, mammography screening, mental health parity, and prostate cancer screenings. My State also requires that insurers provide access to certain types of providers including nurse midwives, nurse anesthetists, optometrists, osteopaths, chiropractors, podiatrists, psychologists, and social workers. S. 1955 will allow insurers to come into South Dakota and provide bare bones coverage that preempts these State mandates. South Dakota deserves to determine what basic care and coverage must be provided to our citizens, and S. 1955 would take away that right.

To gain this exemption, all an insurer has to do is offer a plan that is similar to one offered to State employees in one of the five most populous States. Now some have stated that the availability of this so called enhanced option will ensure access to services that States have mandated, but this is simply not true. The alternative plan does not have to be affordable or comprehensive and could be a high-deductible health plan that provides virtually no preventive care. That means no dental screenings, no prostate cancer screening, no access to nurse practitioners.

The Small Employers Health Benefits Program or SEHBP Act provides a strong alternative to the Enzi approach making coverage more affordable for small businesses and providing individuals with the same type of insurance offered to members of Congress and other Federal employees. This proposal is based on the successful Federal Employees Health Benefits Program which provides health coverage to millions of Federal employees, retirees, and their families and does so with very low administrative costs.

While this alternative does provide an opportunity for small businesses to obtain coverage for their employees, it does so without jeopardizing the basic coverage currently ensured by South Dakota's health insurance laws.

It provides a tax credit to small businesses and ensures that State consumer protection laws are kept in place. According to the most recently available data from the Small Business Administration, in South Dakota 19,750 businesses fall in this category, employing 136,560 people. The legislation also will provide for grant participation waivers to businesses with more than 100 employees under some circumstances.

The SEHBP approach is supported by groups such as Families USA, the American Academy of Family Physicians, American Medical Association, Consumers Union, and the National Partnership of Women and Families.

We need to address the complex health care issues facing our Nation today, but we need to do so in a way that moves us forward. I believe, as do literally hundreds of organizations, including the AARP, American Cancer Society, and the American Academy of Pediatrics, that S. 1955 is wrong for small businesses and their employees. I oppose this bill and will continue to fight for adequate health care access in South Dakota.

Mr. KOHL. Mr. President, I rise in opposition to the tax reconciliation conference report before us. We cannot afford it, and we don't need it. Even more distressing, it benefits overwhelmingly those with incomes greater than $1 million at the expense of middle-income families, of our ability to protect and defend our Nation and of our fiscal bottom line.

We cannot afford adding $70 billion to the burgeoning deficit. Months ago, my colleagues voted to cut programs such as Medicaid and child support—programs that directly serve low-income families and the elderly. They did this in the name of deficit reduction. Yet today, those same Senators will vote to add $70 billion to the deficit.

We don't need the majority of this bill. The centerpiece of that $70 billion is an extension of the tax breaks on capital gains and dividend income. My colleagues have argued that this will prevent a tax increase, but we all know such an increase is not imminent. The cut on capital gains and dividends will not expire until 2008; this legislation extends it from 2008 to 2010.

This legislation puts the needs of everyday Americans behind the luxury of an unnecessary tax break. Families making $50,000 a year or less will see an average of $20—half a tank of gas—in benefits from this bill. But those with incomes of more than $1 million will get back an average of $42,000, enough to buy a new SUV.

The needs of everyday Americans are ignored by this legislation. Businesses are ignored as the bill fails to extend the expired research and development tax credit. It overlooks the needs of students trying to pay for college by not extending the expired deduction for higher-education tuition expenses. It ignores our teachers, by failing to extend the expired deduction for their classroom expenses.

Let's set aside extending tax cuts that don't expire for 2 years in favor of extending those that expire now. Let's not go on a $70 billion spending spree in the face of record levels of Federal deficit and debt. Let's not use our limited revenues to enrich those that need the least at the expense of those who need the most. Finally, let's send a message to the American people about where our priorities lie.

Mr. HARKIN. Mr. President, if you want to know why this Republican-controlled Congress's approval rating has plunged to 22 percent and why President Bush's approval rating is an equally dismal 31 percent, exhibit A is this reckless, irresponsible tax reconciliation bill.

Let's consider the context in which the Republicans are pushing this latest giveaway of $70 billion, all of which will be added to the deficit and national debt:

The Republicans are ramming through these new tax breaks despite the fact that they we are facing a deficit, this year, in excess of $300 billion a year despite the fact that they have run up $2 trillion in new debt since President Bush took office, despite the fact that they are trying to raise the debt limit to an astonishing $10 trillion, despite the fact that we are spending $10 billion a month on their endless wars in Iraq and Afghanistan and despite the fact that they have increased spending by 25 percent in just 5 years' time.

The level of irresponsibility here is just breathtaking. There is nothing conservative about handing out $2 trillion in tax breaks over 5 years and passing the bill to our children and grandchildren. Rather than providing for our children's education, health, and well-being, this bill will provide them with another huge dose of our debt.

That is plain, old-fashioned recklessness and irresponsibility. It is simply shameful.

In his State of the Union speech 3 years ago, President Bush made this statement: We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents, and other generations.

But that is exactly what this new tax-break bill will do. It will add to the $2 trillion in new debt that President Bush is passing on to other generations. It will deliberately create a fiscal time bomb set to detonate on January 1, 2011, which a future President and future Congress will somehow have to defuse. And it will result in higher interest rates in the years ahead—indeed, interest rates are already rising rapidly.

This morning's New York Times runs two editorials that are dead on. One editorial is titled, The Republican Agenda for 2006: Tax Cuts for a Favored Few. The second editorial is titled, The Republican Agenda for 2006: Tax Increases for Everyone Else.

This bill is one of the most cynical giveaways to the wealthy we have seen. If this bill were entirely in effect this year, taxpayers making more than $1 million a year would be getting an average tax cut of more than $40,000 this year, enough to buy a new Mercedes. Taxpayers with middle incomes will get an average tax cut that may pay for a tank of gas or tow, for many it will be less than that.

According to the Brookings Tax Policy Center, assuming that all of major tax provisions were put into place this year, taxpayers making more than $200,000 a year will get seven-eights of the benefits in this reconciliation bill. Taxpayers in the lower 60 percent of the income scale—average working Americans—will get only 1 percent of the benefits in this bill—1 percent. This is simply outrageous.

But the cynicism does not stop there. The Republican tax conferees glued this package together with the worst kind of gimmickry. In order to stuff more tax breaks into this bill, they deliberately designed it in such a way as keep the revenues just within the $70 billion limit over 5 years. But they did it in a way that will drain countless billions of dollars from the Treasury in the decades beyond the budget window.

How did they do this? They put in provisions to encourage the wealthy to convert their 401(k) plans and regular IRAs into Roth IRAs, which, itself, will be a bonanza for the rich. As one newspaper put it, this morning:

> This is what passes for fairness in Washington these days: a big windfall for the wealthy to ''pay for'' another tax cut for the wealthy.

The core of this bill is an extension of the 15 percent tax on capital gains from 2008 to 2010. To make this possible, the tax-writers jettisoned two very useful provisions that help ordinary Americans. They did not extend the work opportunity tax credit, which creates incentives to provide job training for the more difficult to employ in our society, and they did not extend the research and development tax credit, which promotes improvements in our efficiency and the development of new products. Those provisions have already expired.

Because this bill costs more than the $70 billion allowed, offsets were needed. Did the tax writers cut the billions in excessive tax breaks going to the oil companies—provisions such as the last in first out rule on their overseas operations? Even the oil company executives have said they don't need this. After all, Exxon made $36 billion last year. Exxon payed its CEO more than $140,000 a day. But the tax-writers didn't touch this tax break for the oil companies which had been in the Senate bill.

Republicans claim that their endless tax cuts have created a strong economy, and that the tax cuts will almost pay for themselves by creating new revenue. This is the old supply-side economic theory—you know, the idea that the best way to feed the sparrows is to give an extra big bag of oats to the horse. The first President Bush got it right; he called it ''voodoo economics.''

The truth is that current economic growth and job creation during this recovery are well below normal, and they are well below the levels we saw when President Clinton was doing what was necessary to balance the budget.

Let's look at this economy. Business investment always recovers after a recession. But, by historical standards, we have seen a sluggish recovery in business investment. In the past 5 years, business investment has grown 65 percent more slowly than the average for all recoveries since World War II. In the early 1990s, George H.W. Bush and Bill Clinton signed significant tax increases into law in order to balance the budget. But business investment was far greater during that period.

In addition, job creation during this recovery has been anemic, at best. Last Friday, the administration ballyhooed the fact that 138,000 jobs were created in April. The cheerleaders didn't mention that 138,000 new jobs is not even enough to keep pace with population growth. And it is less than half of the job creation we experienced, month after month, under President Clinton. Remember, he dared to raise taxes on the wealthy in order to balance the budget, and the resulting economic boom created more millionaires than any recovery in history.

When President Bush passed his third round of tax breaks in 2003, he claimed that it would create 5.5 million new jobs by the end of 2004. That was when Congress cut the tax rate on dividends and capital gains, which the current bill would extend. That bill did not create the promised 5.5 million new jobs. Job growth was only 2.4 million, less then the norm without tax cuts. Over the past 19 quarters since the recession, the growth in employment has been consistently below normal. Meanwhile, incomes of workers have not kept up with inflation.

We have seen the same disappointing results in terms of gross domestic product. Since the end of the last recession, GDP growth has been less then the average GDP growth following recessions since World War II.

And what about the Republicans' argument that tax cuts largely pay for themselves? Are they kidding? They have passed $2 trillion in tax cuts over the last 5 years. And, over that same period of time, the national debt has increased by—you guessed it—$2 trillion.

Yes, we are seeing an increase in revenues at the moment, as one would expect during a recovery. But our revenue estimates are actually below the levels predicted by the Congressional Budget Office in early 2003, before we passed the capital gains and dividend tax breaks we are rushing to extend today.

And let me make one more point about these tax breaks on capital gains and dividends. Over and over again, our friends on the other side of the aisle claim that middle-income families are big beneficiaries of these breaks. Yes, but the typical middle-income taxpayer gains a $20 cut here and a $100 cut there. But the lion's share of the benefits go to you know who. Half of the benefits go to those making more than $200,000 a year. When we just look at the cut in the capital gains and dividends rate: over half of those benefits go to those making over a million a year and over 93 percent of those benefits go to those making over $100,000 a year, according to a table just released by the Joint Tax Committee.

This reconciliation bill gives $70 billion that we do not have, overwhelmingly to people who don't need it; and it passes the resulting debt to people who haven't even been born yet. This bill is reckless. It is irresponsible. And it is shameful.

I urge my colleagues to defeat this conference report so we can substitute a responsible bill—a bill that is progressively paid for, that prevents the alternative minimum tax from penalizing middle-income taxpayers, and that extends job training and the R&D tax credit.

Mr. KERRY. Mr. President, today we are debating a $70 billion tax reconciliation bill and the centerpiece of this bill is a provision to extend the lower tax rates on capital gains and dividends that do not expire until the end of 2008. I cannot support this bill for many reasons. It abuses the budget reconciliation process in order to provide an extension of tax cuts to those with incomes above a million dollars rather than addressing tax issues in a fiscally responsible manner.

This bill is the third and final piece of a flawed budget strategy that does not put us on a path towards deficit reduction. The first piece was the spending bill that cut $40 billion, with most of those cuts hitting those who need our help the most. The second piece was a $781-billion increase in the debt ceiling, which will bring the total to $3 trillion under this administration's watch. If you combine these three bills, the result is a $30 billion increase in the deficit and record level debt.

The conference report does not reflect the tax bill passed by the Senate. Back in November during the Senate Finance markup, I did not support the bill even though it did not include capital gains and dividends tax relief. I was concerned that the bill would come back from the House with this tax relief and that it would substantially increase the deficit in future years. The conference agreement does what I expected and it is even worse than I initially imagined.

The only reason this bill is before us is to extend the lower rate on capital gains and dividends. These lower rates do not even expire until the end of 2008. We have repeatedly heard how American families have benefited from this tax cut and that half of American households now have some investment income. We do not hear the entire side of the story. Even though about half of American households own stock, two-fifths of this stock is held in retirement accounts in which capital gains and dividends earned are not subject to taxation, and thus do not benefit from the lower rates on capital gains. According to the Federal Reserve Bank's Survey of Consumer Finance, only 17 percent of the households in the bottom 60 percent own stock and the average value is $52,000. This accounts for 9 percent of all taxable stock. Households in the top 1 percent own 29 percent of all taxable stock and 84 percent of these households own taxable stock with an average value of nearly $2 million.

These tax cuts are skewed towards the wealthy because they have more capital gains and dividends income than the average family. For those with incomes under $100,000, capital gains and dividend income accounts for 1.4 percent of their total income, but for those with incomes over $1 million, capital gains and dividends account for 31.4 percent of their income. According to the Urban-Brookings Tax Policy Center, those with income over $1 million will receive an average tax cut of $32,000 in 2009, whereas those with incomes below $50,000 will only receive an average tax cut of $11.

Not only will upper-income individuals benefit from this provision, they will benefit from a new provision that was added during the conference. This provision removes the income limits for converting from traditional individual retirement accounts—IRAs—to a Roth IRA. This provision was added to meet requirements of the budget rules, but don't be fooled, this provision is a gimmick. It is ironic that this gimmick is being used to solve a budget issue—it is being added to solve the budget issue of the capital gains and dividend provision having a $30 billion cost in the second 5 years of the bill. The Roth IRA provision does solve this budget problem, but this provision will add to the deficit. It raises revenue initially because contributions to Roth IRAs are not deductible, but it loses revenue because earnings in these accounts accumulate tax free.

Only households with income over $100,000 would benefit from the easing the restrictions on rollovers to Roth IRA accounts. The Tax Policy Center estimates that the 99.1 percent of the benefits of this provision will go to those in the top 20 percent of households with average incomes of $189,863. I have to admit that it is clever to offset one tax cut with another tax cut that only benefits families in the upper-income limits. This provision highlights how this bill makes a hypocrisy of the budget process.

As I said before, there are several budget gimmicks used in this bill to mask its real price tag of the bill and its total impact on the deficit. All this is being done just so the lower rates on the capital gains and dividends can be extended for another two years.

Many of those in the majority will argue that the lower rates on capital gains and dividends are needed to sustain economic growth. It is hard to prove that these tax cuts are the cause of recent economic growth. Prior to the enactment of these tax cuts, there were significant factors in support of an economic recovery. The President's Council of Economic Advisors was predicting a significant increase in employment growth starting in 2003 without the enactment of additional tax cuts. The rationale for cutting the tax on capital gains and dividends income is that it stimulates investment, but there is no solid data to support this conclusion. The stock market did much better during the 1990s when we had a higher tax rate on capital gains than it has done since the rates were cut in 2003.

Proponents argue that these cuts encourage a great deal of selling by investors, so much so that they pay for themselves. However, in a letter to Finance Committee Chairman GRASSLEY, the Congressional Budget Office found that, ''[I]ncreases might suggest a large behavioral response to the tax rate cut—except that realizations also increased by 45 percent in 1996, before the rate cut. Thus changes in realizations are not necessarily the result of changes in taxes; other factors matter as well.'' CBO explained that asset values, investor decisions, and other economic conditions can influence capital gains realizations just as much.

CBO not only examined the year following the 2003 tax cuts, but they dug even deeper and did a historical analysis of capital gains cuts. The CBO experts found that, ''[a]fter examining the historical record, including that for 2004, we cannot conclude that the unexplained increase [in realizations] is attributable to the change in the capital gains tax rates.'' CBO concluded that much of the volatility in capital gains realizations ''seems unrelated to changes in the capital gains tax rates.''

However, the majority seems to think that the cutting taxes on capital gains and dividends is a priority and that debt financed tax cuts reflects sound economic policy. I disagree and believe that this bill chooses the wrong priorities. It fails to extend tax breaks that expired at the end of 2005. The research and development tax credit that is used to help businesses with innovative and groundbreaking research expired at the end of 2005.

This bill does not help families with the cost of college tuition. Due to the deepest cuts in student aid in more than a decade, loans will increase by an average of $5,800. At the end of 2005, a tax provision that provides a deduction for college expenses expired. This bill chooses not to extend this tax cut.

This bill does address the individual alternative minimum tax—AMT—for 2006, but not for 2007. The conference report reflects the Senate language that is based on an amendment that I offered with Senator WYDEN. This AMT provision will prevent any new taxpayers from being impacted by the AMT in 2006 that were not impacted by the AMT in 2005. It is important that we address the individual AMT, and it can be done in a way that does not increase the deficit.

The individual AMT was created in 1969 to address the 155 individual taxpayers with incomes exceeding $200,000 who paid no federal income tax in 1966. Then, it applied to a tiny minority of households. But it is rapidly growing from 155 taxpayers in 1969, to 1 million in 1999 to almost 29 million by 2010. It now affects families with incomes well below $200,000. By the end of the decade, repealing the AMT will cost more than repealing the regular income tax.

In 1998, we began to notice that something was happening that was unintended—the AMT was beginning to encroach on middle class taxpayers. At that time, the AMT was expected to impact over 17 million taxpayers in 2010. The AMT problem resulted because the regular tax system is indexed for inflation, while the personal exemptions, standard, deduction, and AMT are not. Under the AMT, exemption amounts and the tax brackets remain constant. This has the perverse consequence of punishing taxpayers for the mere fact that their incomes rose due to inflation. The AMT has another perverse consequence. It punishes families for having children. The more children a family has, the lower the income necessary to trigger the AMT.

As we debated the Economic Growth and Tax Relief Reconciliation Act of 2001, I stressed the fact that the legislation would result in more individuals being impacted by the AMT and that not addressing the AMT hid the real cost of the tax cuts. This holds true today. A choice was made in 2001 to provide more tax cuts to those with incomes of over a million dollars rather than addressing a looming tax problem for the middle class. The Economic Growth and Tax Relief Reconciliation Act of 2001 did include a small adjustment to the AMT, but it was not enough. We knew at the time that the number of taxpayers subject to the AMT would continue to rise steadily. The combination of lower tax cuts and a minor adjustment to the AMT would cause the AMT to explode.

Each year that we wait to tackle the AMT, more taxpayers are impacted and the cost of addressing it only increases. We missed an opportunity in 2001 to address the AMT. Repeatedly, the AMT has been pushed aside to give priority to making the tax cuts for the wealthiest Americans permanent. So often we hear that the bulk of the tax cuts assist the average American family. This is ironic because by 2010, the AMT will take back 21.5 percent of the promised tax breaks for individuals making between $75,000 and $100,000 per year and 47 percent from individuals making between $100,000 and $200,000. However, households with annual income over $1,000,000 will only lose 9.2 percent of the tax cuts.

Instead of addressing the AMT for next year, this bill chooses to extend the lower rates for capital gains and dividends for 2009 and 2010. This bill ignores the fact that we will have to address the AMT for 2007. Without Congressional action, the AMT will impact 23 million taxpayers. To prevent additional taxpayers from being impacted by the AMT in 2007, the exemption amount will need to be increased at a cost of $48.3 billion. We need to address the AMT in a fiscally responsible manner before we extend tax breaks that do not expire until the end of 2008.

Furthermore, this bill chooses to provide tax breaks to the oil and gas industry. The Energy Policy Act of 2005 contained $2.6 billion over 10 years in tax breaks for oil and gas companies. Recently, President Bush said:

> Record oil prices and large cash flows also mean that Congress has got to understand that these energy companies don't need unnecessary tax breaks like the write-offs of certain geological and geophysical expenditures, or the use of taxpayers' money to subsidize energy companies' research into deep water drilling. I'm looking forward to Congress to take about $2 billion of these tax breaks out of the budget over a 10-year period of time. Cash flows are up. Taxpayers don't need to be paying for certain of these expenses on behalf of the energy companies.

Not long ago, we heard the top oil executives testify before Congress that they do not need the tax breaks either.

At a time when the world's largest energy companies are reaping record-setting profits, this bill chooses to only scale back one of the new tax breaks for oil companies. Integrated oil companies will still receive benefit of a provision to expense their geological and geophysical expenditures. The provision only scales the tax break back by $189 million. The Senate bill included three provisions that address the tax breaks of large oil and gas companies, totaling $5 billion. This bill chooses not to include these provisions. Recently, I introduced legislation to address tax breaks provided to the oil and gas companies that would repeal over $28 billion in tax breaks for this industry.

It is embarrassing that this bill keeps in place tax breaks that are not needed by this industry while at the same time providing lavish benefits to oil and gas executives. An executive who makes $400 million a year does not need tax breaks. Executives rewarded with exorbitant amounts of stock options will be able to sell their stock and benefit from the lower tax rate on capital gains. It simply does not makes sense to provide a $42,000 tax break for millionaires when the average American family has seen a $1,950 increase in their cost of gas.

During this debate, we have heard that this bill does not provide tax cuts, that it is just a continuation of tax policy, but it is a continuation of a reckless tax policy. According to the Tax Policy Center, 87 percent of the benefits of the conference agreement go to the 14 percent of households with incomes above $100,000. The top 0.2 percent of households, those earning over a million a year would receive 22 percent of the benefits of this conference report. Those earning over $1 million will receive a $42,000 a year tax cut while the average tax cut for the 20 percent of households in the middle of the income spectrum would be just $20.

We should not continue a tax policy that helps those who do not need our help. While American families are struggling with the costs of health insurance, college education, and gas tax prices, it is not the time to extend tax cuts that only help a small percentage of elite taxpayers. Last quarter, the economy grew 4.8 percent, but wages only grew 0.7 percent. Middle-class families are not feeling confident about the economy. These families are not experiencing the 4.8 percent growth of the economy. They are worried about their economic future. They are living paycheck to paycheck. With the continuing cost of the wars in Iraq and Afghanistan, it is not the time to extend debt financed tax cuts. We could have a very different bill before us that would extend the tax cuts that help families with the cost of the education, address the AMT for next year, and help businesses with the cost of research. Instead, we have a continuation of a tax policy that contributed to the broadening disparity between the rich and the poor.

We are going through this process today, just so one provision in the bill can be passed—the extension of the dividends and capital gains cuts. These cuts expire at the end of 2008.

We do not need to make a farce out of the reconciliation process. We can do better and we should reject this bill and take up a bipartisan bill that helps all American families.

Mr. LIEBERMAN. Mr. President, I rise in opposition to this tax reconciliation conference report. It is a financially bizarre hodgepodge of misplaced priorities, missed opportunities and misguided economics.

Not only is there nothing in this package that helps average American families, whose incomes are stagnant, the Republican majority let programs expire that helped ease the financial burdens of working families.

Instead, this Republican bill showers tax breaks on the Nation's wealthiest, who don't need the help, the oil industry, which is enjoying record profits, and explodes the debt, placing a hidden tax on our children and grandchildren.

This bill is so bad you look at it and wonder: What were they thinking?

For instance, under this tax package the oil industry gets tax breaks worth $5.1 billion, while eliminating tax incentives on hybrid cars, solar energy panels and other energy conservation measures that would help lessen our dependence on foreign oil.

What were they thinking?

The capital gains and dividend tax cut extensions overwhelmingly favor households taking in more than $1 million a year. Middle income households get a tax savings of about $20 a year, while millionaires get a break of somewhere between $42,000 and $82,000.

What were they thinking?

I have supported capital gains relief as a way to stimulate investment, innovation and job creation. But this bill offers that relief at a time when we're running a massive Federal deficit and does next to nothing for anybody other than the wealthiest taxpayers.

Look at what's missing from this bill: The State and local sales tax deduction, the college tuition deduction, the welfare to work tax credit that encouraged employers to lower welfare roles by creating jobs; and the research and development tax credit that helped spur the innovation we need to compete in the global economy.

What were they thinking?

This bill does provide a one-year fix to keep middle-income Americans from falling into the alternative minimum tax trap. But even that is not enough. We need to fix the AMT Problem once and for all.

A famed economic thinker named Marx—Groucho not Karl—once said: ''Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy.''

Groucho may have summed up the Republican approach to fiscal policy: They avoid doing the things they dislike—like facing hard financial truths and making tough fiscal decisions—and just keep showering money we don't have on wealthy people and oil companies who don't need it and then pass the bill off to our children who can't afford it.

At least Groucho was joking about how he spent his own money. We're stealing our children's. And that's no joke.

Mr. President, we must come to grips with the exploding deficits. We can't keep cutting taxes, increasing spending and pretend there are no consequences. There are. And it will be our children who will face the reckoning. And on that day they will look back at us in anger and cry: What were they thinking!

I yield the floor.

Mr. BAUCUS. Mr. President, I would like to enter into the RECORD some information I just received from the Joint Committee on Taxation. I asked them to provide me with information on who benefits from the capital gains and dividends tax cuts.

According to the Joint Committee on Taxation, 84 percent of the capital gains tax cut goes to individuals earning $200,000 or more. And also according to the Joint Committee on Taxation, 2 percent goes to households earning less than $50,000.

Additionally, for the dividends tax cut, 63 percent of the tax savings goes to individuals with annual income of $200,000 or more. And only 6 percent goes to taxpayers earning $50,000 and under.

I hope this information will help clarify some of the debate on the floor today. Again, these numbers are directly from the Joint Committee on Taxation with no interpretation.

I ask unanimous consent that this information be printed in the RECORD.

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

TABULATION OF CAPITAL GAINS TAXED AT 5% AND 15% RATES, ALL TAXPAYERS—CALENDAR YEAR 2005

Adjusted gross income [1]	Capital gains taxed at 5% rate			Capital gains taxed at 15% rate			Total: Capital gains taxed at 5% or 15% rate		
	Returns	Amounts	Tax savings	Returns	Amounts	Tax savings	Returns	Amounts	Tax savings
	Millions	$ billions	$ billions	Millions	$ billions	$ billions	Millions	$ billions	$ billions
Less than $10,000	(2)	(3)	(3)	....	....	....	(2)	(3)	(3)
$10,000 to $20,000	0.7	1.0	(3)	....	....	....	0.7	1.0	(3)
$20,000 to $30,000	0.9	2.0	0.1	....	....	....	0.9	2.0	0.1
$30,000 to $40,000	1.0	2.3	0.1	(2)	(3)	(3)	1.0	2.3	0.1
$40,000 to $50,000	0.7	2.3	0.1	0.3	0.4	(3)	1.0	2.7	0.1
$50,000 to $75,000	1.6	6.0	0.2	0.8	2.3	0.1	2.4	8.3	0.4
$75,000 to $100,000	0.9	5.1	0.2	1.2	4.4	0.2	1.9	9.5	0.4
$100,000 to $200,000	0.3	6.1	0.2	2.5	25.4	1.3	2.6	31.6	1.5
$200,000 and over	0.1	4.1	0.1	1.2	262.5	13.3	1.2	266.6	13.5
Total, all taxpayers	6.3	28.9	1.0	6.1	295.1	15.0	11.7	324.0	16.1

[1] Excludes dependent returns and returns with negative AGI.
[2] Less than 50,000.
[3] Less than $50 million.

TABULATION OF QUALIFIED DIVIDENDS TAXED AT 5% AND 15% RATES, ALL TAXPAYERS—CALENDAR YEAR 2005

Adjusted gross income [1]	Qualified dividends taxed at 5% rate			Qualified dividends taxed at 15% rate			Total: Qualified dividends taxed at 4% or 15% rate		
	Returns	Amounts	Tax savings	Returns	Amounts	Tax savings	Returns	Amounts	TAx savings
	Millions	$ billions	$ billions	Millions	$ billions	$ billions	Millions	$ billions	$ billions
Less than $10,000	0.1	(3)	(3)	....	....	....	0.1	(3)	(3)
$10,000 to $20,000	1.1	1.1	0.1	....	....	....	1.1	1.1	0.1
$20,000 to $30,000	1.5	1.7	0.1	....	....	....	1.5	1.7	0.1
$30,000 to $40,000	1.7	2.3	0.2	0.1	(3)	(3)	1.8	2.4	0.2
$40,000 to $50,000	1.2	1.9	0.2	0.8	0.8	0.1	1.9	2.6	0.2
$50,000 to $75,000	2.7	4.0	0.4	1.6	2.8	0.3	4.3	6.8	0.7
$75,000 to $100,000	1.3	2.7	0.3	2.4	4.1	0.4	3.5	6.8	0.7
$100,000 to $200,000	0.1	1.2	0.1	4.7	15.3	1.7	4.8	16.5	1.8
$200,000 and over	(2)	0.4	(3)	2.2	42.9	6.4	2.2	43.2	6.5
Total, all taxpayers	9.7	15.3	1.3	11.9	65.8	8.9	21.1	81.1	10.3

[1] Excludes dependent returns and returns with negative AGI.
[2] Less than 50,000.
[3] Less than $50 million.

Mr. BAUCUS. Mr. President, I want to talk now about the rules of the Senate. With this bill, the majority has once again abused the process. With this bill, the majority has once again shown its disrespect for the rule of law.

Mr. President, I have served in the Congress for 32 years. I have served in the Senate for 28 years. I am continually grateful to my employers, the people of the State of Montana, for giving me this opportunity.

I was in the Congress in 1975, when the Budget Committee reported the very first budget resolution. I was in the Senate in the early 1980s, when the Budget Committee reported its first budget reconciliation bill. I have seen this process change. And the Majority is changing this process again today.

Mr. President, this bill comes before us today under the extraordinary procedures that we call budget reconciliation. This is a process that bypasses the normal Senate rules.

Under the normal Senate rules, Senators may debate legislation at length. Under budget reconciliation, this bill is subject to a strict time limit.

Under the normal Senate rules, and rule XXII, it takes the affirmative vote of 60 Senators to cut off debate. Under budget reconciliation, a simple majority will determine the outcome of this bill.

The Senate chose early on to limit the power to use budget reconciliation. The Senate saw early on that this power could be subject to abuse.

Thus, starting in 1985, the Senate adopted the Byrd Rule against extraneous matter in reconciliation bills. This important rule was named after the dean of the Senate, the Senior Senator from West Virginia. The Senate enacted this rule to ensure that the majority did not abuse the budget reconciliation process to cover extraneous matters.

From 1985 through 1996, that meant that budget reconciliation bills could not worsen the deficit. Then, in 1996, the current majority chose to overturn that understanding of the rule. And in 1996, the current majority began the process of using reconciliation for legislation that worsens the Nation's fiscal balance. That choice is at the root of much of the fiscal debacle that we see today.

But at least one vital part of the Byrd rule remains. One part of the Byrd rule so explicitly prohibits worsening the deficit that the majority has not yet been able to write it out of the books. One part continues to prohibit including in reconciliation provisions that would cause a committee's entire work product to worsen the deficit in years beyond those covered by the reconciliation instructions. That part is section 313(b)(1)(E) of the Congressional Budget Act.

I believe that, today, the majority is taking another step down the road of abusing the reconciliation process. I believe that today the majority is willfully ignoring the application of that rule. And I thus believe that today the majority is once again cheapening the rule of law.

My complaint lies with the Roth IRA provision that I discussed earlier. As I noted, that provision will worsen the deficit by increasing amounts into the future. But because the majority chooses not to recognize this fact, I am left with no procedural recourse.

I'll try to demonstrate my point through a series of steps.

First, let me take the hypothetical case of a budget reconciliation bill that contained just the Roth IRA provisions in this bill but effective in 2006. That is the case for which the Joint Tax Committee has provided the revenue estimates that I discussed earlier. For the sake of simplicity, I ask unanimous consent that the Joint Tax Committee estimates be printed in the RECORD.

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

EXHIBIT 1

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON TAXATION,
Washington, DC, May 9, 2006.

MEMORANDUM

To: Pat Heck, Judy Miller, and Ryan Abraham
From: Thomas A. Barthold
Subject: Revenue Estimate

This memorandum is in response to your request dated May 3, 2006, for a revenue estimate of your proposal to eliminate the income limitation on conversions from a traditional to a Roth IRA. Under your proposal, any amount otherwise required to be includible in income as a result of a conversion that occurs in 2006 may be included in income in equal installments in 2007 and 2008. Your proposal would be effective for taxable years beginning after December 31, 2005.

We estimate that your proposal would have the following effect on Federal fiscal year budget receipts:

FISCAL YEARS

[Billions of dollars]

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006–10	2006–15
Eliminate the income limitation on Roth IRA conversions; taxpayers can elect to have amounts converted in 2006 included in income in equal installments in 2007 and 2008.	−0.1	1.8	3.4	1.0	−1.1	−1.5	−1.7	−1.9	−2.1	−2.3	5.0	−4.5

Mr. BAUCUS. In summary, it shows a provision that begins with revenue increases but then shows revenue losses. Specifically, it shows revenue losses of $1.1 billion in year 5, $1.5 billion in year 6, $1.7 billion in year 7, $1.9 billion in year 8, $2.1 billion in year 9, and $2.3 billion in year 10.

Now, if this provision were the only provision in a budget reconciliation bill covering years 2006 through 2010, it would plainly violate section 313(b)(1)(E) of the Congressional Budget Act because of its revenue losses in the out years.

This is of course a simplistic analysis. There are other provisions in the bill before us. The question then arises whether those other provisions raise more revenue than the Roth IRA provision loses.

My Finance Committee staff have taken the Joint Tax Committee estimates for these other provisions—all the revenue raisers—and projected their current rate of growth into the future. The results are shown in another table, which I ask unanimous consent be printed in the RECORD.

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

PROJECT REVENUE EFFECTS OF THE TAX RECONCILIATION BILL

[Estimates by the Finance Committee Democratic Staff]

Raiser #	2011	2012	2013	2014	2015	Projections 2016	2017	2018	2019	2020
1	31	33	35	38	41	44	47	50	53	56
2	3	3	3	3	3	3	3	3	3	3
3	10	3	4	6	6	6	6	6	6	6
4	3	3	3	3	3	3	3	3	3	3
5	12	12	15	15	16	17	18	19	20	21
6	44	46	49	52	54	56	58	60	62	64
7	209	224	241	259	279	299	319	339	359	379
8	204	242	260	298	349	400	451	502	553	604
9	6,079	215	220	228	235	242	249	256	263	270
10	2,541	4,929	1,756	(1,080)	(1,267)	(1,500)	(1,700)	(1,900)	(2,100)	(2,300)
11	18	9	5	2	1					
12	24	26	28	29	31	33	35	37	39	41
13	228	234	239	254	268	282	296	310	324	338
14	46	53	62	69	75	81	87	93	99	105
Total	9,452	6,032	2,920	176	94	(34)	(128)	(222)	(316)	(410)

Mr. BAUCUS. This analysis shows that the provisions of this bill will worsen the deficit by $34 million in 2016, $128 million in 2017, $222 million in 2018, $316 million in 2019, and $410 million in 2020.

Now, if the appropriate authorities advised the Chair that the bill before us had the revenue effects described in this table, and the Roth IRA provisions caused the deficit to worsen in these by years by the amounts that I have cited, even when taken together with all the other provisions in this bill, once again, the Roth IRA provision would violate the Byrd rule.

Thus, if one does some rather simple arithmetic, one can readily see that the Roth IRA provisions in this bill would worsen the deficit in the out years. And doing that rather simple arithmetic would render the Roth IRA provisions out of order.

The problem is that my staff's estimates, and even the estimates of the Joint Tax Committee and the Congressional Budget Office, are not authoritative. Under the Budget Act, the Chair is required to turn to the Budget Committee for revenue estimates.

The problem is, for whatever reason, the Budget Committee majority has chosen not to do this rather simple arithmetic. The Budget Committee majority has chosen not to see the fiscal consequences of this bill.

It is not as though these fiscal consequences are somehow obscure. It should come as little surprise that one tax cut will not pay for another tax cut. But the Budget Committee majority chooses not to see.

It is not as though the Budget Committee cannot look into the future. The Budget Committee majority has complained of out year costs involving spending to help the victims of asbestos, for example. But when it comes to these tax cuts, the Budget Committee majority chooses not to see.

It is not as though the Budget Committee cannot recognize a budget gimmick when it sees one. The Budget Committee majority has complained of shifts from one year to another in the highway bill, for example. The Roth IRA provision before us today is the mother of all such shifts. But the Budget Committee majority chooses simply not to see.

Thus, Mr. President, I see this case as another abuse of the process. I see this case as another instance of disregard for the rules of the Senate. I see this case as another case of disrespect for the rule of law.

In 1996, this majority abused the reconciliation process by applying it to legislation to worsen the deficit. Last year, this majority abused the Senate rules by threatening to eliminate the right to extended debate through what folks call ‘‘the nuclear option.’’ And today, this majority adds another chapter to that history of abuse of power, by simply choosing not to see violations of the rule when they are there staring us all in the face.

I find it curious that the same majority that cried so loudly about ‘‘the rule of law’’ in the impeachment of President Clinton today once again shows such little respect for the rule of law right here in the Senate. For this disrespect for the rule of law is not about private morality. This disrespect for the rule of law is about the exercise of power.

There is a word for disrespect for the rule of law in the exercise of power. It is called tyranny.

And that, Mr. President, is another reason to vote against this conference report.

Mr. President, I must say that I was surprised to see such a complicated and controversial provision in the conference agreement. I am referring to the provision to repeal the grandfather clause that was enacted by the American Jobs Creation Act of 2004, as part of the repeal of the old FSC/ETI regime. Further, this provision was not in the Senate or the House bill.

What is most surprising, though, is that it may not have been necessary in addition to maybe not being prudent.

This provision purports to end a dispute with the European Union over these long standing tax incentives. But the EU said it was willing to accept the remaining time on the 2-year transition period, and the grandfathering of leasing contracts. The only provision that the European Union is totally against is the grandfather clause for sales contracts. The European Union stated as much in a letter just last week where they said they wanted to work out a negotiated settlement.

So the question has to be asked: Why does this bill go beyond the European Union's concessions? In an attempt to increase the revenue raised by this bill, the bill eliminates binding contract relief for both lease and sales contracts.

In every step of the way during the last 7 years of this dispute, Congress has worked closely amongst tax and trade experts and alongside business to minimize the harm any new regime might entail. But not here. No hearings, no deliberations, ignoring a concession by the other side and game over.

It is interesting to reflect on the long history of this provision. Both the extraterritorial income and the Foreign Sales Corporation, or FSC, regimes offered exclusions for export income. The Jobs Act repealed the extraterritorial income exclusion provisions and provided transition rules to phase out the tax benefits. The Jobs Act also provided a grandfather clause which allowed certain contracts to continue to receive the extraterritorial income exclusion.

For the past two decades, the U.S. provided export-related tax benefits under the foreign sales corporation regime. In early 2000, the World Trade Organization found that the regime was a prohibited export subsidy under the relevant WTO agreements. Congress then repealed the foreign sales corporation provisions and enacted a new regime, the extraterritorial income regime, or ETI.

From its inception, the European Union has doubted the validity of this regime. The European Union lodged a complaint with the World Trade Organization. It argued that the provision was an export subsidy in violation of World Trade Organization agreements.

The World Trade Organization agreed with the European Union in August of 2001. An appellate body upheld the finding in January 2002. The World Trade Organization later ruled that the European Union could impose $4.03 billion in sanctions on its imports from the United States. Congress immediately began work to fix the problem. There were several hearings that lead to a number of bills attempting to either repeal or modify the exclusion provisions.

The Jobs Act repealed the extraterritorial income regime for transactions after December 31, 2004. It provided a transition rule that phased out the tax benefits over a 2-year period. Taxpayers could retain 100 percent of their exclusion benefits for transactions prior to 2005, 80 percent for transactions during 2005, and 60 percent for transactions during 2006. For transactions after 2006, a taxpayer would not have any income exclusion benefits.

The Jobs Act also provided that a contract in effect prior to September 17, 2003, would still be awarded exclusion benefits for the duration of the contract. This is what we call the binding contract relief. The purpose behind transition rules was to provide a soft landing to corporations. To give corporations time to adjust to the change in tax policy.

Prior to September 17, 2003, companies relied on the extraterritorial income tax benefits when they entered contracts. The binding contract relief protected U.S. companies where the company might otherwise be substantially harmed by the loss of the tax benefit. Eliminating the grandfather clause eliminates certainty for these U.S. companies.

We shouldn't blindly accept a provision that was not part of the Senate nor the House bill. We shouldn't blindly accept a provision that repeals a provision that took years to develop. We shouldn't blindly accept a provision that goes beyond what is required. I urge my colleagues to vote down this bill.

Mr. President, we have had a very interesting debate today. As I expected, it was a real battle of statistics and charts.

Again, I would like to thank my good friend, the chairman of the Finance Committee. I know that Senator GRASSLEY fought hard to defend the Senate position in the conference committee. And I think the vote in favor might have been overwhelming if he had been successful in bringing back that Senate bill rather than the bill we have today.

But I look forward to working with him and battling side-by-side to deliver that promised second bill. And that brings me back to what I spoke of this morning: there is a substantial amount of work undone.

Despite $70 billion spent on tax cuts today, there are millions of teachers, families with kids in college, businesses that want to conduct important research or hire the hard-to-employ that will not see one dollar of the benefits handed out today.

It is true that this conference report made tough choices. Those choices were tough on teachers, tough on families, tough on businesses. Hopefully, their relief boat will be coming soon.

Until then, though, I will be voting against this bill that made the wrong choices—putting 2009 tax cuts before 2006 tax cuts, and putting ideological wants before America's needs.

I hope that the next bill will be a bipartisan product. I am sure if it is, that it will enjoy broad support in this Senate and across the country. I look forward to working on that bill.

Mr. President, I want to take a moment to thank the individuals who worked so hard on this legislation.

First, I thank my good friend Senator GRASSLEY, the chairman of the Finance Committee, for his leadership on this bill. I also appreciate the hard work and cooperation of his staff, especially Kolan Davis, Mark Prater, Dean Zerbe, Elizabeth Paris, Christy Mistr, John O'Neill, Chris Javens, Cathy Barre, Anne Freeman, Grant Menke, and Nick Wyatt.

Second, I thank the staff of the Joint Committee on Taxation and Senate legislative counsel for their service.

Finally, I thank my staff for their tireless effort and dedication, including Russ Sullivan, Bill Dauster, Pat Heck, Melissa Mueller, Jonathan Selib, Judy Miller, Rebecca Baxter, Ryan Abraham, Carol Guthrie, and Brianne Rogers.

I also thank our dedicated fellows, Mary Baker, Stuart Sirkin, Thomas Louthan, Tiffany Smith, Laura Kellams, Caroline Ulbrich, Margaret Hathaway, and Robin Burgess. I also thank our law clerk, Christal Edwards.

I thank our hardworking interns Zachary Henderson, Lesley Meeker, Lauren Shields, Britt Sandler, Jordan Murray, and Andreas Datsopoulos.

WAGE LIMITATION

Mr. BAUCUS. Mr. President, I would like to engage in a brief colloquy with the distinguished chairman of the Finance Committee, Senator GRASSLEY, regarding changes to the section 199 wage limitation. The conference report attempts to better target the application of the wage limitation by counting only those wages that are ''properly allocable to domestic production gross receipts.''

This change may have unintended consequences for certain industries. In some industries, many workers, particularly those with specialized expertise, provide services as independent contractors or through their own businesses. In such cases, service payments to these workers are not treated as wages under the current wage limitation.

When section 199 was first created, some of the impacted industries requested that we adopt a rule to count these payments for services in determining the wage limitation. The request was dropped because we addressed their issue indirectly by allowing them to use a broader wage base for calculating the limitation. By eliminating this ''headroom,'' we are resurrecting a problem for these industries.

These industries are doing exactly what section 199 was meant to encourage. They are creating high-quality manufacturing and production jobs and contributing substantially to our Nation's economy and trade. I am hopeful that we will reexamine this issue and take the steps necessary to ensure that these industries are not adversely and unduly affected.

Mr. GRASSLEY. I appreciate my distinguished colleague from Montana, Senator BAUCUS, raising this concern. I can assure him that the changes made to the section 199 wage limitation were intended to target the incentive to domestic production activities. If these changes unduly harm the types of industries he has raised in a way that is inconsistent with this intent, I would be happy to consider revisiting this issue in future legislation.

Mr. BAUCUS. I want to thank the distinguished chairman of the Finance Committee for this clarification and his willingness to work with me to address this important problem.

Ms. COLLINS. Mr. President, the Senate is now considering H.R. 4297, the tax reconciliation conference report. This bill contains several important tax relief provisions, including relief from the alternative minimum tax, extended expensing provisions for small businesses, and a 2-year extension of the 15 percent tax rate on dividends and capital gains. I will be voting for this bill in order to block tax increases that would be harmful to our economy and to our citizens.

According to the latest data that I have seen, more than 100 million American taxpayers benefit from the various tax reductions that we have passed since 2001. In Maine, 100,000 taxpayers have benefited from the lower capital gains and dividends tax rate, and about 25,500 Maine taxpayers have benefited from AMT relief.

The 5-year cost of this reconciliation package is just under $70 billion. Of this amount, nearly half—$33.4 billion will go to provide an additional year of relief from the alternative minimum tax. The AMT was originally enacted to ensure that all taxpayers, especially high-income taxpayers, paid at least a minimum amount of Federal taxes. But the AMT is not indexed for inflation, and because of this flaw, each year a larger number of middle-income Americans find themselves subject to this ‘‘stealth tax.’’ In fact, without the relief provided in this bill, the number of taxpayers subject to the AMT will increase to 20 million in 2006, up from just 3 million in 2004.

I believe it is essential to protect middle-income families from the AMT ‘‘stealth tax.’’ I also believe that the 15 percent capital gains and dividends tax rates have proven their effectiveness and ought to be extended.

When I voted to support lower capital gains and dividends taxes in 2003, my hope was that this tax policy would help lift our economy out of recession and restore the healthy growth we need to create good jobs and opportunity for Americans. Since that tax relief became law, our economy has grown at nearly 4 percent per year, and over 5 million new jobs have been created. The unemployment rate has dropped to 4.7 percent—beneath the average of the past three decades.

I am aware of the ongoing debate among economists over whether, and to what extent, tax cuts can ‘‘pay for themselves.’’ Whatever one thinks of that debate, I cannot help but note how far off the estimated cost of this tax relief was. The year before this tax relief became law, the Federal Government received $49 billion in revenues through the capital gains tax—at the 20 percent rate. The Joint Tax Committee predicted that reducing the rate to 15 percent would reduce revenues by $3 billion from 2003 to 2005. But, in fact, capital gains tax revenues jumped instead—to $71 billion in 2004, and $80 billion last year—all paid at the lower 15 percent rate.

To me, the vote on this bill is not about settling a debate among economists. My focus is on finding the right tax policy to help keep our economy healthy, and growing. It is only with strong economic growth that our Nation will be able to meet the needs we currently face—needs that will only become more urgent as our society ages.

Many in this Chamber, and many of my constituents, are concerned about our growing national debt. I share this concern. That is why I have been a consistent supporter of the pay-go rules throughout my tenure in the Senate. But I continue to be struck by the difference that even a small change in our economy's growth rate can make to the deficit and to the revenues we need to support critical social programs. According to the Congressional Budget Office, a change of just one tenth of 1 percent in the GDP growth rate over a 10-year period would change revenues by $224 billion and spending by $48 billion, for a total net impact of $272 billion on the deficit.

The actual growth rate we have experienced since 2003 has been higher by at least two-tenths of 1 percent than CBO predicted before the 15 percent tax rate was enacted. In light of the fact that CBO estimates that a 0.1 percent change can have a net impact of $272 billion on the deficit, it is so important to maintain policies that maintain a healthy growth rate.

For all of these reasons, I will be supporting the tax reconciliation bill.

Mr. KYL. Mr. President, as one of the three Senate conferees on this legislation, I want to take a moment to explain why this legislation is so important to our Nation's continued economic growth.

The centerpiece of this conference agreement is the extension of the 15 percent investment tax rate for 2 more years, through 2010. Under this rate structure, lower income taxpayers will have dividends and capital gains taxed at a 5-percent rate through 2007, and in 2008–2010 will have them taxed at a zero rate. Taxpayers who fall above the 15-percent income tax bracket will have their dividends and capital gains taxed at a 15-percent rate through 2010. As the lead sponsor of the Republican leadership bill, S. 7, to make the lower investment rates permanent, I am pleased we were able to extend these rates to give investors certainty that they will not face a tax increase in the near term.

The reason I have worked so hard to extend these lower rates is because the policy has worked exactly as we intended it when we enacted the rates in 2003. In 2003, we suggested that by reducing the marginal rate imposed on investment earnings we would give investors an incentive to put more of their money at work in the markets. At that time, following the tech-bubble bursting and the terrorist attacks of September 11, investors had been very reluctant to put their hard-earned money at risk in the markets. But by reducing the marginal tax rate on investment income, the tax penalty imposed on the additional investment earnings the reward for 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. All of this additional economic activity creates economic growth.

Critics argue that most of the benefit of the lower rates flows to the wealthiest taxpayers, but they fail to acknowledge that millions of low- and middle-income taxpayers receive dividends and capital gains and will benefit from the lower rates. Research by the Joint Committee on Taxation and the Finance Committee has found that lower income taxpayers will save more than higher income taxpayers, when the savings are measured as a percentage of total tax liability, thanks to the lower rates, especially the 5 percent and zero rates. The savings are even more pronounced for seniors. In 2008–2010, seniors with adjusted gross incomes of $50,000 and under will see their tax liability reduced by 17.1 percent as a result of the lower tax rates for dividends. In contrast, seniors with income over $200,000 will see their tax liability cut by only 5.7 percent. All taxpayers with incomes of $200,000 and up will see their tax liability reduced by just 2.2 percent as a result of the dividend tax rates.

The sheer numbers of taxpayers who benefit from these policies is equally impressive. More than 19 million taxpayers claimed dividend income in 2003 and more than 7 million reported capital gains. More than 315,000 Arizona taxpayers reported taxable dividends in 2003 and more than 127,000 Arizona families reported capital gains in 2003. More than 38 percent of Arizona tax filers who reported dividend income in 2003 had incomes under $50,000; 73.1 percent had incomes under $100,000. Of those reporting capital gains, 35.1 percent had incomes under $50,000 and 68.8 percent had incomes under $100,000.

In addition to benefiting millions of taxpayers, the lower rates have encouraged investment in our growing economy. The economy expanded at a 4.8-percent annual rate in the first quarter of 2006. This follows economic growth of 3.5 percent in 2005 the fastest rate of any major industrialized nation. Moreover, the economy has created about 2 million jobs over the past 12 months and more than 5.2 million jobs since August 2003. The unemployment rate is 4.7 percent—this is lower than the average of the 1960s, 1970s, 1980s, and 1990s.

Productivity increased at a strong annual rate of 3.2 percent in the first quarter of 2006. Productivity is a key factor to increasing standards of living. Hourly compensation rose at a 5.7 percent rate in the first quarter—more than twice as much as in the previous quarter. The Conference Board index of consumer confidence increased in April to its highest level in almost 4 years. Industrial production rose at a 4.5-percent annual rate in the first quarter. The stock market hovers near its all-time high. Our economy is booming, and it is due in large part to the tax policies we enacted in 2003.

Another argument we hear about this bill is that we cannot afford it. I don't think we can afford to not pass this bill. The growing economy that has resulted from these tax policies has led to a surge of revenue flowing into the Treasury. According to the Congressional Budget Office, ''Monthly Budget Review'' released on May 4, 2006, ''the 2006 deficit will be significantly less'' than was predicted, even assuming enactment of the supplemental and the tax reconciliation agreement. Revenues for April 2006 were 14 percent higher than revenues for April 2005. Government estimators had predicted that the reduction in capital gains rates that was enacted in 2003 would cost the Federal Government $27 billion in lost revenues for 2004, but CBO now reports that the lower rates actually brought in an additional $26 billion in revenue. So instead of costing $27 billion, the lower rates actually made $26 billion for the Treasury.

I heard that this morning Ambassador Portman, in his nomination hearing to be the new Director of the Office of Management and Budget, told the Budget Committee that revenues flowing into the Federal Treasury will reach their post-World War II average of about 18 percent of GDP as early as this year. That means Congress must make the 2001 and 2003 tax cuts permanent just to avoid taking historic amounts of revenue out of the economy. Clearly, the American people are not undertaxed.

I want to mention briefly some of the other important provisions of this reconciliation agreement. It extends the AMT ''patch'' through 2006, thus keeping 15.3 million taxpaying families out of the alternative minimum tax. I am a cosponsor of Senator BAUCUS's legislation to repeal the AMT, S. 1103, and, as chairman of the Subcommittee on Taxation and IRS Oversight, I held a hearing last year that looked into the burdens of the AMT.

I am proud that we were also able to address some problems in the international section of our Tax Code in this agreement. The conference agreement provides ''look through treatment'' for 3 years for certain payments between related controlled-foreign corporations. I am the sponsor of legislation, S. 750, to provide this treatment permanently. Today's economy is different from the environment that existed when our foreign tax rules were introduced in the 1960s. Enacting the ''CFC Look-Through'' provision will simplify business structures for U.S. multinational companies and make it easier for them to compete with foreign companies.

The conference agreement also includes an extension of the ''active financing income'' exception, which I actively sought in the conference negotiations. I am a cosponsor of legislation to make this exception permanent, S. 1159. Active financial services income banking income, leasing transactions and other financial transactions that is earned overseas has an exception under law that allows deferral until the funds are repatriated to the U.S. parent, but it expires at the end of 2006. The conference agreement extends the exception through 2008.

The conference agreement extends the current thresholds for small businesses to expense equipment purchases through 2009. Under current law the increased thresholds were due to expire after 2007. Expensing makes it more cost-effective for small business owners to grow their businesses by purchasing new machines and other equipment; extending the provision through 2009 enables businesses to better plan for such investments.

Finally, the conference agreement eliminates the income restrictions on the ability of taxpayers to convert a regular IRA into a Roth IRA in 2010. Under current law, families with incomes over $100,000 cannot convert a regular IRA into a Roth. Allowing the conversion will help families save for retirement because Roth IRAs are made up of aftertax money, and all appreciation in the accounts is withdrawn tax free. We ought not double-tax savings, especially when we need to encourage young people to do more to plan for their own retirements.

I thank Chairman GRASSLEY for being so supportive of my efforts to extend the investment tax rate for 2 more years and for all of his hard work as chairman of this conference. Through his efforts we were able to put together a tax reconciliation agreement that prevents tax increases on millions of Americans and that will keep our economy growing strong well into the future.

Mr. GREGG. Mr. President, pursuant to section 313(c) of the Congressional Budget Act of 1974, I submit for the RECORD a list of material in the conference agreement on H.R. 4297 considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313. The inclusion or exclusion of material on the following list does not constitute a determination of extraneousness by the Presiding Officer of the Senate.

To the best of my knowledge, H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005, contains no material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313 of the Congressional Budget Act of 1974.

Mr. SMITH. Mr. President, I had first like to thank Chairman GRASSLEY for all of his hard work and leadership on the tax reconciliation bill. He represented the Senate well during sometimes difficult negotiations on this bill. Because Chairman GRASSLEY stuck to his principles, we have a better bill today.

I am very pleased to vote today for the Tax Increase Prevention and Reconciliation Act of 2005. Enactment of this bill is beneficial for all Americans. It will help America sustain its economic strength and allow all Americans to keep more of their hard earned money in their own wallets.

One of the key provisions of the tax reconciliation bill extends the tax cuts on dividends and capital gains through 2010. We've heard a lot of chatter in the media, and frankly from the other side of the aisle, that the investment tax cuts only benefit the wealthy. However, that's simply not the case. The investment tax cuts benefit all Americans—even those in the lowest income brackets.

Let's just look at the hard facts. Out of the nearly 20 million Americans who reported taxable dividends in 2003, more than 36 percent made less than $50,000—and more than 70 percent made less than $100,000. Similarly, of the 7 million who reported taxable capital gains, more than one-third were taxpayers with income of less than $50,000 and two-thirds were taxpayers with income of less than $100,000.

We find the same trends in my home State of Oregon. Over 60 percent of Oregon families claiming income from dividends made less than $75,000—and 20 percent made $30,000 or less. Middle income Oregonians also benefit from the lower capital gains rate. Almost three-fourths of Oregonians claiming capital gains income made less than $100,000—and a fourth had income under $30,000.

Beyond putting money back into Americans' wallets, the recent tax cuts, including the investment tax cuts, have played a major role in strengthening our economy—and enactment of the tax reconciliation bill will assist in continuing this growth. According to virtually every economic indicator, the U.S. economy is thriving. Our economy grew at a 4.8-percent rate in the first 3 months of 2006, the fastest pace in the last three years. This follows economic growth of 3.5 percent in 2005, which was faster than any other major industrialized nation. In addition, we have an unemployment rate of 4.7 percent, which is below the average rate for each of the past four decades.

The recent tax cuts also have helped strengthen Oregon's economy. Although our economy still lags behind the Nation, Oregon's unemployment rate has fallen to 5.5 percent from 6.2 percent 1 year ago.

Another important component of this bill is the AMT relief. The original purpose of the AMT was to ensure that taxpayers with substantial income could not avoid tax liability by using exclusions, deductions and credits. However, because the AMT was never indexed for inflation, an increasing number of middle-income families have become subject to the tax. Thanks to this bill about 15 million middle-income Americans will not be subject to the AMT in 2006.

Finally, I am very pleased that two issues that I have worked on legislatively were included in the tax reconciliation bill.

First, in line with my bill, the American Veterans Homeownership Act of 2005, Oregon's qualified veterans' mortgage bond program will be expanded. Under current law, Oregon can issue tax-exempt bonds, the proceeds of which can be used to finance mortgage loans to veterans. However, due to current limitations, veterans of Operation Iraqi Freedom, Operation Enduring Freedom, Kosovo, Bosnia, Haiti, Somalia and the 1991 Persian Gulf War are not eligible. The tax reconciliation bill eliminates this limitation allowing more veterans to take advantage of these low-cost home loans.

In addition, the tax reconciliation bill extends for 2 years the increased amount that small businesses may expense. Although this provision doesn't go as far as my proposal in the Tax Depreciation, Modernization, and Simplification Act of 2005, which would make small business expensing permanent, it is a good first step. Small businesses are the heart of our economy. This important provision encourages investment by small businesses—and provides administrative simplification.

I urge all of my colleagues to support this important legislation.

Mr. ALEXANDER. Mr. President, I offer my support for the Tax Increase Prevention and Reconciliation Act of 2005 conference report, which will prevent a tax increase on millions of Americans and keep our economy growing.

This bill could also be called the Job Creation and Economic Growth Act. In the nearly 3 years since we cut taxes on dividends and capital gains in 2003, the U.S. economy has experienced significant growth. We've had 32 straight months of job growth. More than 5.3 million jobs have been created since August 2003. The Nation's unemployment rate is 4.7 percent—the lowest in nearly 5 years, and lower than the averages of the last four decades. More Americans are working today than ever before, and they have more opportunities for better jobs.

Business investment is up. The stock market is up. And construction spending, home building and household wealth levels are at all-time highs. These factors illustrate families in Tennessee and across America are benefiting from the progrowth tax policies initiated by the President and Congress.

This legislation will continue those pro-growth policies. It includes an extension of lower rates on dividends and capital gains. More than 425,000 Tennesseans—including seniors and lower-income workers—will benefit from these lower rates, with an average tax benefit of $989 per year. More than one third of these Tennesseans are families earning $50,000 or less. I am glad the Senate is passing this bill to keep their taxes from going up.

The bill also include a one-year extension of a provision that will keep the alternative minimum tax, AMT, from hitting nearly 150,000 Tennesseans when they file their taxes for 2006. The AMT was originally passed to ensure that wealthy Americans paid their fair share of taxes. Without a change in the law, the number of Americans subject to the AMT would have jumped from 4 million in 2005 to 19 million in 2006, eventually growing to nearly 52 million by 2015. So by including AMT relief in this legislation, we've prevented millions of Americans from having to pay higher taxes.

This legislation also provides tax relief to our small business owners by allowing them to continue to expense certain amounts of equipment they purchase. This gives our small business owners greater flexibility to buy the necessary items they need to expand and improve their businesses—which is particularly important in Tennessee, where 97 percent of all businesses are small businesses.

This legislation also includes a provision to help songwriters in Nashville and throughout the country. Under current law, these songwriters have to pay a tax rate of 35 percent for any sale of their music catalogues or collected works. The tax rate on these sales will now be taxed at the capital gains rate of 15 percent. Now songwriters who sell their work will be able to treat it the same as the sale of any other business. Many songwriters earn modest incomes, so this change will make a big difference in their lives.

The way Congress can keep our economy strong is by keeping taxes low, exercising fiscal discipline and controlling the growth of Federal spending. This Tax Increase Prevention and Reconciliation Act of 2005 is an important step in that direction, and I look forward to working with my colleagues on other measures to promote economic growth and fiscal responsibility.

Mr. REID. How much time remains on this side?

The PRESIDING OFFICER. Six minutes.

Mr. REID. I thank the Chair.

Mr. President, the headlines glared yesterday from Bloomberg News: ''Republicans Set Aside Middle-Income Tax Cuts to Focus on the Rich.'' Those are not my words. They are the words of Bloomberg News. It is a headline they chose to describe the Republican tax reconciliation bill, and it is 100 percent correct: ''Republicans Set Aside Middle-Income Tax Cuts to Focus on the Rich.''

This bill is a big gift to the wealthiest of the wealthy and an even bigger burden to future generations of Americans. It was bad legislation when it left the Senate, and it is a lot worse now that it has returned. To think, with gas prices still on the rise—the average price in Nevada is about $3.08 a gallon—46 million Americans with no health insurance, students literally worrying about whether their parents can afford to send them to college, with the debt at $8.2 trillion, the majority has sent us a bill that does nothing to help any of the people about whom I spoke. In fact, for many Americans, it makes life far worse by presenting them with a tax increase. The choices the Republicans made in producing this legislation are very revealing. Remember the headline: ''Republicans Set Aside Middle-Income Tax Cuts to Focus on the Rich.''

Three bad choices were made in this bill. They chose millionaires and billionaires over the middle class. For 5 years, the Republican majority has handed out billions of dollars in tax breaks and perks to the wealthy elite at the expense of everyone else.

This bill is no different. It extends $21 billion in tax breaks for capital gains and dividends over the next 5 years, a tax break that overwhelmingly benefits the wealthy. It ignores provisions that could have helped families in Nevada and all across the country today. For example, the sales tax deduction, some States pay a lot of sales tax. This was not extended, even though it provides tax fairness for taxpayers in nonincome tax States. This provision, the sales tax deduction, expired. Why would a State such as Nevada that has no income tax be penalized? Because the majority wanted the wealthiest of the wealthy to get a tax break.

The tuition deduction was not extended, even though it helps families pay for the high cost of college and the provision expired at the end of last year. During the 5 years that George Bush has been President, college tuition costs have gone up over 30 percent.

Something simple, the teacher school supply deduction, not a lot of money but what a symbol. Teachers in Nevada and around the country pay out of their own pockets for supplies that the school district can't afford to give them. This little deduction helped thousands and thousands of teachers with a deduction for the school supplies they paid for themselves out of their own pockets. It is not in here because it may take a little bit away from the billionaires. Remember the headline from Bloomberg News: ''Republicans Set Aside Middle-Income Tax Cuts to Focus on the Rich.''

What is in this bill are tax breaks on capital gains and dividends. An analysis in yesterday's New York Times shows how unfair these tax cuts are. According to the newspaper, the 2003 tax cut for those with $10 million or more of income was one half of $1 million—$500,000. For those with a meager income of $1 million a year, the average tax cut was $41,400. In contrast, the average capital gains and dividends tax cut for those whose income was up to $50,000 was $10. So if you make more than $10 million, you get half a million; $1 million, $40,000 plus; anything less than that, 10 bucks. That says it all about this tax reconciliation.

Choice No. 2: Republicans wrongly ignore America's fiscal security. I always thought the Republicans were the party of fiscal integrity. That has been blown sky high as being a false impression. On the same day a month or so ago, we passed a bill increasing the deficit by billions and billions of dollars, and on the same day, we increased the debt ceiling up to $9 trillion. But that is not enough. We understand the House is bringing one over here that increases the debt ceiling to more than $10 trillion.

Given all the rhetoric from the other side in recent weeks about the need to get the Federal Government's fiscal house in order, you would think our Republican friends would come forward with a fiscally responsible bill. I heard one Republican Senator say: We had the budget bill and Democrats offered amendments to increase spending.

I will now use leader time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Any amendment we offered to increase spending, we had some unique thing in this modern Republican world. What was so unique? We had an offset for it. We found savings someplace else in this massive budget to pay for what we wanted. Remember, during the last 3 years Bill Clinton was President, we spent less money than we brought in. We brought down the national debt by a half a trillion dollars. But not this Republican Congress and this Republican President. Now it is red ink as far as one can see.

Instead of real fiscal discipline, all the majority has given us is gimmicks that actually make the problem worse. They purport to offset the cost of the tax cuts for capital gains and dividends. But as reported in the Washington Post yesterday, these offsets are nothing but cheap tricks.

> One measure would allow upper income savers with a traditional individual retirement account to pay taxes on the account's investment gains and then roll over some of the balance into a Roth IRA, where the money can be withdrawn tax-free upon retirement. The provision would raise about $6.4 billion over 10 years, seemingly keeping the size of the tax-cutting package down. But over the next 35 years, it would cost the [federal] government $36 billion, according to the Urban Institute.

Think about that. A gimmick to let people think that this was a good thing for the American people because it was raising revenue. It was only about $30 billion short. It is a shell game, and it is a wrong choice for America.

Choice 3: This bill, if you can imagine, is still lavishing tax breaks on the oil companies. As we speak, ExxonMobil—we know they made $34 billion, which is the most any company has ever made in history—as we speak, ExxonMobil has $34 billion in cash. We are giving them more tax breaks? We have these oil companies, as my friend from Oregon said, which are marinating in oil. They cannot make enough money because there is no way they can make enough. But they made $34 billion last year, and that is the most money made in the history of our Republic.

On the other hand, we have middle-class families who have paid for these profits and they are sick and tired of being squeezed at the gas pump.

Who did the Bush Republicans choose? Big oil companies. Their big oil friends. This is the most oil-friendly administration in the history of our country. President Bush had an oil company. Vice President CHENEY worked for an oil company. The Secretary of State was on the board of directors of Chevron. They liked her so much they named a tanker after her. Secretary of Commerce Evans? Oil.

This reconciliation bill kept in place billions of giveaways for big oil, even though the industry is doing well enough to send a CEO into retirement—and there is a dispute as to how much he made when he retired, whether it is $400 million or $670 million. It was a lot of money.

Once again, this is the wrong choice for America. I oppose this bill. It caters to an elite group of wealthy Americans at the expense of the middle class, those with the greatest needs, and future generations. We need a new direction. This legislation won't do it.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. FRIST. Mr. President, I will be brief, and we will be voting shortly. We know that keeping taxes low spurs economic growth and that results in the creation of jobs. Twice in the last 4 years, this Congress passed major tax relief bills. Together these laws have cut taxes for nearly 100 million Americans, spurred a period of energetic economic growth, improved our overall budgetary climate, and it has encouraged businesses to invest in their future. When you put all that together, it has created jobs.

Indeed, since the 2003 tax relief progrowth package, our economy has added 5.3 million new jobs. We have seen unemployment rates fall down to record lows, where today it is remarkable that it is lower than the average of the 1970s and the 1980s and the average of the 1990s, at 4.7 percent. We have enjoyed 18 consecutive quarters of robust growth.

You know, those are the statistics, and that is what we see, what is reported. What really results is that individual lives and families are leading more productive lives, with a higher quality of life. The creation of jobs affects families.

The centerpiece of that 2003 bill was the reduced tax rate on capital gains and dividends. It did other things, but that was the heart of the bill. As we argued then, and what history as clearly shown, is that keeping taxes low promotes tax revenue, what comes into our Government.

In January, the Congressional Budget Office found that the tax cuts on capital gains and dividends resulted in the Government collecting an additional $26 billion in revenue in 2004 and 2005. This year, revenues will be 29 percent higher than they were in 2003. In fact, the Treasury Department just reported yesterday that this year's tax revenues were the second highest in American history, giving the country a sizable surplus for the month.

Mr. President, we hear about who is advantaged by this particular piece of legislation. A majority of households now own stock. A lot of people may question that. The matter is that the majority of households in this country own stock. Almost half of all income tax returns that report capital gains on dividends—the returns that were reported—came from households that have an adjusted gross income of less than $50,000. Of all of the tax returns that report capital gains on dividends, over half of those are reported from households making less than $50,000. It is hard to argue that cutting capital gains taxes benefits only the rich.

Chairman GRASSLEY, Senator KYL, Congressman THOMAS, and all who have participated in this bill, have delivered for the American people and have participated in a progrowth policy legislative agenda that will create jobs. The provisions will continue to strengthen our economy, which is growing, and help provide a stable and inviting environment for small businesses to continue to grow and invest and create jobs.

Keeping these taxes low helps Americans find and create those jobs that we know improve the quality of life for all Americans. Keeping taxes low helps Americans support families and makes America a great place to do business. We will keep taxes low so that we can keep this great country of ours strong and growing.

Last night, the House voted to pass the tax reconciliation conference report and send it to the Senate for action.

I want to applaud the House and Senate conferees for working hard to maintain the 2003 tax cuts that have boosted the economy and grown jobs.

Here on the Senate floor, the Republican majority will work hard to keep up the momentum and resist efforts to raise America's taxes.

I expect that some on the other side will continue to oppose low taxes. They've supported billions of dollars of new taxes since they lost control of the Senate in 2002. Rarely have they met a tax hike they don't like. But we can't let their anti-growth plans win the day.

If they get their way, nearly 7.5 million families and individuals will see their capital gains taxes go up. Twenty million will see taxes on their stock dividends rise, as well.

In my home State of Tennessee nearly 150,000 families and individuals will see their taxes increase if the current alternative minimum tax relief expires this year.

More than 425,000 families and individuals will see their dividend tax rates rise from as little as 0 percent to as much as 35 percent after 2008. Of these taxpayers, roughly 135,000 low-income taxpayers, many of them senior citizens, reported dividend income in 2003.

When it comes to capital gains, nearly 325,000 families and individuals will see their capital-gains tax rates increase from as little as 0 percent to 20 percent after 2008. Of these taxpayers, more than 100,000 low-income individuals, including retirees, reported capital gains in 2003.

The other side says only the rich benefit from tax cuts. But as the taxpayers in my home State demonstrate, the 2003 tax cuts benefited hard working families across the income scale.

Opposing the 2003 tax cuts will hurt these families and hurts America's economic strength.

I urge the minority leader to reject obstructionism and allow swift passage of this legislation.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

Mr. FRIST. Mr. President, I yield back all time on our side.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the conference report to accompany H.R. 4297.

The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. McCONNELL. The following Senator was necessarily absent: the Senator from Pennsylvania (Mr. SPECTER).

Mr. DURBIN. I announce that the Senator from West Virginia (Mr. ROCKEFELLER) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 54, nays 44, as follows:

[Rollcall Vote No. 118 Leg.]

YEAS—54

Alexander	DeWine	McCain
Allard	Dole	McConnell
Allen	Domenici	Murkowski
Bennett	Ensign	Nelson (FL)
Bond	Enzi	Nelson (NE)
Brownback	Frist	Pryor
Bunning	Graham	Roberts
Burns	Grassley	Santorum
Burr	Gregg	Sessions
Chambliss	Hagel	Shelby
Coburn	Hatch	Smith
Cochran	Hutchison	Stevens
Coleman	Inhofe	Sununu
Collins	Isakson	Talent
Cornyn	Kyl	Thomas
Craig	Lott	Thune
Crapo	Lugar	Vitter
DeMint	Martinez	Warner

NAYS—44

Akaka	Bingaman	Carper
Baucus	Boxer	Chafee
Bayh	Byrd	Clinton
Biden	Cantwell	Conrad

Dayton	Kerry	Obama
Dodd	Kohl	Reed
Dorgan	Landrieu	Reid
Durbin	Lautenberg	Salazar
Feingold	Leahy	Sarbanes
Feinstein	Levin	Schumer
Harkin	Lieberman	Snowe
Inouye	Lincoln	Stabenow
Jeffords	Menendez	Voinovich
Johnson	Mikulski	Wyden
Kennedy	Murray	

NOT VOTING—2

Rockefeller	Specter

The conference report was agreed to.

Mr. LOTT. Mr. President, I move to reconsider the vote.

Mr. McCONNELL. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. AKAKA. Mr. President, too many in our country are uninsured or unable to afford health care. For those with coverage, costs continue to rise as insurance premiums and copayment increases make it more difficult to continue to access health care. We must take steps to increase health insurance coverage and expand access to affordable health care, but we must not do so in a manner which will undermine existing coverage and leave consumers without adequate protections and benefit mandates.

I appreciate the efforts of my colleague from Wyoming, Senator ENZI, to expand access to employees through his bill, S. 1955, the Health Insurance Marketplace Modernization and Affordability Act. However, the preemption of State laws will have negative impacts on consumers. Existing State benefit requirements ensure consumers are protected against the cost of illness and provided coverage to preventive services at earlier stages for the better likelihood of favorable treatment. AARP, the American Diabetes Association, and the American Cancer Society, a sample of the many health care related organizations opposed to the legislation, believe that the bill ''could remove critical consumer protections pertaining to rating and benefits as well as reduce broad access to the services necessary to continue producing better outcomes for those with cancer, diabetes, and other chronic illnesses.''

Health care organizations are not alone in their opposition to this legislation. Attorney generals across the country, including Attorney General Mark Bennett in Hawaii, are opposed to S. 1955 because it would cause health insurance consumers to lose important state protections.

We must act to make health care more affordable. An alternative to S. 1955 is S. 2510, the Small Employers Health Benefits Program Act. This legislation would help improve access to insurance without bypassing State consumer protections. The legislation would also provide a tax credit to make health coverage more affordable.

In addition, we need to enact reforms to ensure generic competition for name brand prescription drugs. The legitimate patent protection period needs to be respected, but we need to make sure that generic prescription drugs get to market in a timely manner and that name brand drug companies cannot simply pay generic drug companies to not make a drug. Greater use of generic drugs will help slow the increase in health care costs without reducing access.

Unfortunately, the majority in the current Congress have made it more difficult to access health care. For example, the Deficit Reduction Act contained a provision which will require individuals applying or reapplying for Medicaid to verify their citizenship through additional documentation requirements. For most native-born citizens, these new requirements will most likely mean that they will have to show a U.S. passport or birth certificate. These requirements will create barriers to health care, are unnecessary, and will be an administrative nightmare to implement.

One in 12 U.S. born adults, who earn incomes of less than $25,000, report they do not have a U.S. passport or birth certificate in their possession. Also, more than 10 percent of U.S.-born parents, with incomes below $25,000, do not have a birth certificate or passport for at least one of their children. An estimated 3.2 to 4.6 million U.S.-born citizens may have their Medicaid coverage threatened simply because they do not have a passport or birth certificate readily available. Many others will also have difficulty in securing these documents, such as Native Americans born in home settings, Hurricane Katrina survivors, and homeless individuals.

Having to acquire a birth certificate or a passport before seeking treatment will create an additional barrier to care. Some beneficiaries may not be able to afford the financial cost or time investment associated with obtaining a birth certificate or passport. The costs vary by State and can be as much as $23 to get a birth certificate or $97 for a passport. Taking the time and obtaining the necessary transportation to acquire the birth certificate or a passport, particularly in rural areas where public transportation may not exist, creates a hardship for Medicaid beneficiaries.

Further compounding the hardship is the failure to provide an exemption from the new requirements for individuals suffering from mental or physical disabilities. Those suffering from diseases such as Alzheimer's may lose their Medicaid coverage because they may not have or be able to easily obtain a passport or birth certificate.

It is likely these documentation requirements will prevent beneficiaries who are otherwise eligible for Medicaid to enroll in the program. This will result in more uninsured Americans, an increased burden on our health care providers, and the delay of treatment for needed health care.

I have introduced legislation, S. 2305, to repeal the additional documentation requirements to ensure that Medicaid beneficiaries are not unfairly denied access to care by these burdensome and unneeded requirements. I had hoped that I would be able to offer my bill as an amendment to the pending legislation. However, the majority has taken action that will prevent this from occurring on S. 1955.

We also need to improve and simplify the Medicare prescription drug benefit so that all seniors are able to obtain all of the medications that they need. We must correct the mistakes of the Medicare Prescription Drug, Improvement, and Modernization Act and fulfill the promise to seniors that the Federal Government will help beneficiaries get the drugs they need. We also need to extend the deadline so that seniors are not unfairly penalized if they need more time to figure out which plan is right for them.

Another important Medicare issue are provider reimbursements. Rising costs, difficulty in recruiting and retaining staff members, and declining reimbursement rates make it necessary to make improvements in Medicare reimbursements to ensure that Medicare beneficiaries have access to health care services. We must increase Medicare reimbursements for service providers so that they can continue to afford to treat Medicare beneficiaries.

Another issue that should be addressed during Health Care Week is stem cell legislation. I am a proud cosponsor of S. 471, introduced by Senators SPECTER and HARKIN, which would authorize Federal funding for research on stem cells derived from embryos donated from in vitro fertilization. Unless this legislation is enacted, these embryos will likely be destroyed if they are not donated for research. This bill also would institute strong ethical guidelines for this research. The House companion measure is pending consideration in the Senate. We must pass this bill so that researchers may move forward on ethical, federally funded research projects that develop better treatments for those suffering from diseases such as diabetes and Parkinson's.

Mr. President, I am afraid that this will be a Health Week only in terms of rhetoric because we are not able to offer amendments to address the pressing health needs of this country. Instead of working together to find common solutions to better meet the health care needs of our country, the majority party has simply offered up legislation that is flawed and refuses to work with us in a meaningful way on this issue.

HEALTH INSURANCE MARKETPLACE MODERNIZATION AND AFFORDABILITY ACT OF 2006—Resumed

The PRESIDING OFFICER. The Senate will proceed to the consideration of S. 1955 which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1955) to amend title I of the Employee Retirement Security Act of 1974 and the Public Health Service Act to expand health care access and reduce costs through the creation of small business health plans and of the health insurance marketplace.

Pending:

Frist amendment No. 3886 (to S. 1955 (committee substitute) as modified), to establish the enactment date.

Frist amendment No. 3887 (to amendment No. 3886), to change the enactment date.

Motion to recommit the bill to the Committee on Health, Education, Labor and Pensions, with instructions to report back forthwith, with Frist amendment No. 3888, in the nature of a substitute.

Frist amendment No. 3889 (to the instructions of the motion to recommit), to change the enactment date.

Frist amendment No. 3890 (to amendment No. 3889), to provide for the enactment date.

The PRESIDING OFFICER. Under the previous order, there will be 60 minutes of debate equally divided between the Senator from Wyoming, Mr. ENZI, and the Senator from Massachusetts, Mr. KENNEDY, or his designee.

Who yields time?

Mr. FRIST. Mr. President, we have a lot going on on the floor, and we are going to have one more vote today, and it will be up to an hour from now. But what we would like to clarify is who needs to speak from our side. Chairman ENZI is right here. Do we have anybody on our side? I know Chairman ENZI will be speaking. Is there anybody else from our side?

I ask the Democratic leader through the Chair who will be speaking on their side.

Mr. REID. Mr. President, the only request for time I have at the present time is for the Senator from Arkansas, Senator LINCOLN, for 7 minutes. Is there anyone who wishes to speak? Senator KENNEDY wants 10 minutes. Senator DURBIN may request time, I think 7 minutes for Senator DURBIN. No for Senator DURBIN. So 7 and 10, 17 minutes over here.

Mr. FRIST. Mr. President, I ask our chairman approximately how much time we would need. What we want to do is try to get the time down as far as we can. We have a number of people who have plans that they need to make, and we would like to vote as quickly as we can, but we want adequate time to speak.

Mr. President, through the Chair, I ask the Democratic leader, would it be agreeable that we have a unanimous consent request propounded that we vote at 10 minutes after 6, the time equally divided between now and then?

Mr. REID. Does that give us our 17 minutes? I ask to amend the request to 17 minutes on each side.

Mr. FRIST. So to restate, I ask unanimous consent for 17 minutes on either side, so the vote will be at approximately 14 minutes after 6 o'clock.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The Senator from Arkansas is recognized.

Mrs. LINCOLN. Mr. President, I was so excited when we came to work this week with the opportunity to focus our Nation and the debate of this body toward health, the health of our Nation, the health of our people, and the health of our businesses, the fabric of this country, the fabric of our Nation. It is such an important thing for so many of us—certainly, each of us in our own families. I have small children and aging parents.

All of us have responsibilities in our own lives and responsibilities to our constituencies. We have different constituencies such as the elderly who live in our communities and the small businesses that are striving hard to keep our economy going; children, and those with chronic diseases and illnesses who desperately need to make sure that the coverage they have is sufficient for what they may have or may not have, but want to make sure that they are protected against in case, unfortunately, something might happen.

So as we came to the Senate this week to talk about health and how we could make health a very real part of the discussion in this Nation, a real part of what it meant to our economy and to our people and the quality of life, the real value of who we are as Americans, I was excited. Yet I saw so much of it cut short. The discussion that started on Monday ended with a line in the sand that said: My way or the highway, not let's work a deal and let's figure out what will make health care real in this Nation and sustainable and that will make sense in our communities. Then we moved to talking about how we deal with small businesses. To me, the most important thing we can do for our small businesses is to make available to them affordable, accessible health care but quality health care, the same kind of benefits that we ourselves as Members of Congress are blessed enough to be able to experience for our families and for ourselves.

As we proceeded into this debate, way too much of the debate centered around not what we could work hard to do that was right but what people wanted. Then, all of a sudden, we leave abruptly this incredibly important debate.

We leave behind this incredibly important debate to talk about a tax bill for tax cuts that don't even expire until January of 2009, instead of looking at something real and new, such as a new tax cut for small businesses to engage in the health insurance marketplace for their employees and for themselves or looking at how we could extend tax cuts that had expired, such as research and development and for education and tuition and so many more things that have been productive in our economy and in our communities. We go through this debate, and we come back now to finalize debate on the health care of our Nation. And what have we done? We have missed an opportunity to say to our seniors they are important enough that we are going to extend a deadline, a deadline