

Mott is slightly larger than that, but it is a wonderful community. It is a community that has the kind of small-town values one would expect.

When I grew up in that community, I graduated in a senior high school class of nine students. I have always talked about the tapestry of the Senate. I sit in the Senate with JOE LIEBERMAN, from Connecticut, on one side of me and DIANNE FEINSTEIN, a Senator from California, on the other side. We have people coming from all corners of this country to serve in this great place. My privilege is to come from a town of about 300 people and a high school senior class of nine students.

We didn't, when I was in that senior class of nine students, win a State championship. Finally, the students from that school combined with a school in neighboring Mott, ND, and did win a State championship. They are enormously proud, and I am proud of them. They actually played in what is called the Fargo Dome, a very large indoor dome in Fargo, ND. That is over 300 miles from southwestern North Dakota, but distance doesn't mean too much to us out on the northern Great Plains. Driving is not such a chore. There is not a lot of traffic. People are pretty courteous to each other. We drive a lot of miles on virtually every occasion.

I wished to describe the pride I have in a very small community. Hettinger County, to describe one more specific, in North Dakota, is larger than the State of Rhode Island in landmass. It has 2,700 citizens in the entire county spread out among three towns and also a lot of family farms. It is, in my judgment, the cradle of family values and all things that are sensible and all things that are likable about American life.

I wished to, again, come to the floor today to say to the Regent and Mott schools and those young boys in Hettinger County congratulations on a State championship and to the coach who has coached for 22 years. One might expect the number of hours that man has invested in the lives of young people, and last Saturday he had the privilege of coaching a State championship team. I know how proud he is as well.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ALTERNATIVE MINIMUM TAX

Mr. HATCH. Mr. President, I rise today to discuss the pending crisis of the American taxpayer. The cause of this crisis is the failure of Congress to deal honestly with the alternative minimum tax, or AMT.

Debate over what to do about the AMT has become a yearly ritual on Capitol Hill. As a member of the Finance Committee, I fully understand this ritual. But this year, we are dragging our feet, and the more we delay, the more likely it is that millions of Americans will get socked with an unexpected tax bill next year and millions more will have their refunds delayed.

Now it appears we are not going to address the AMT until December. Failure to address the AMT promptly on our return will be a pretty terrible Christmas surprise for the families impacted by congressional ineptitude, but it will certainly be a surprise they will never forget. I can see it now: Surprise, you need to write a check for \$3,000 to the IRS by April 15. That is right up there with: Surprise, you have been served. Yet Congress delays. Congress fiddles. This is grossly irresponsible.

According to Secretary Paulson and the Department of the Treasury, unless we fix the AMT, 25 million taxpayers will be subject to it in 2007. That is 21 million more than in 2006. And 25 million other taxpayers will face delays in the processing of their returns and receiving of refunds. In my home State of Utah, the Joint Tax Committee estimates we will jump from 19,000 AMT filers to 150,000 AMT filers. This is simply unacceptable.

Most of the taxpayers who are at risk have not planned for the eventuality of AMT liability. After all, year after year, like clockwork, the Republicans controlled Congress and they passed AMT relief. We are already too late to avoid some problems. The IRS warned Congress that unless we fixed the AMT by early November, there would be serious delays in the processing of tax returns. We are now pushing toward Thanksgiving. Secretary Paulson has made clear that based on historical filing patterns, enactment of an AMT fix in mid to late December could delay issuance of approximately \$75 billion in refunds—that is with a “b,” a billion dollars, 75 of them. That is 25 million tax refunds delayed.

It is always a bad idea for Members of Congress to get between their constituents and their tax refunds. Yet here we are. How did we come to this particular pass? The story of the AMT should be a case study for limited Government. Give Congress long enough, and it will find a way to mess things up.

In 1969, the press reported that 155 high-income Americans paid no Federal income taxes in 1966. That was found out in 1969. Congress came to the rescue, creating an alternative minimum tax that would make sure all Americans paid their fair share. The AMT would prevent tax avoidance by disallowing certain credits and deductions. As if it is not bad enough figuring out one tax system, now many Americans would have to complete their tax a second way—once under the traditional income tax and once under

the alternative minimum tax. And naturally the tax that gets paid is the one which is highest.

Still, this AMT was originally meant to apply to a small number of filers—155. That is 155 out of almost 300 million people. Today, it is a menace threatening millions of Americans. Absent changes, estimates show that by 2010, nearly 89 percent of all married couples, with two children, earning between \$75,000 and \$100,000 will be hit by the AMT. Make no mistake about it, elected officials are responsible for that train wreck—and, I might say, on both sides of the aisle.

In 1986, Congress failed to index the AMT exemption for inflation.

In 1993, a Democratic Congress and President Clinton took us a bit further down the road toward this fiscal debacle. They raised the 24-percent rate on the first \$175,000 of the alternative minimum tax. They raised that taxable income to 26 percent. The rate on income in excess of \$175,000 was raised to 28 percent.

Republicans in Congress attempted to right the ship. In 1999, we passed a provision repealing the AMT in its entirety. Done. Finito. Vaya con dios, AMT. Had President Clinton signed this bill, we would not be having this debate today. Millions of Americans would not be staring down the barrel of an unfair and unplanned-for tax hike. But we all know how this story ended. President Clinton vetoed the bill. This was the coup de grace. And so the AMT would continue to haunt us, growing bigger and more destructive every year since then.

The tax cuts of 2001 and 2003 only further emphasized the insidiousness of the AMT. These tax cuts promised tax relief to middle-class families and economic growth. Yet, as the economy grew and income rose, more and more middle-class families fell into the AMT trap. Economic growth, tax cuts, and a failure to index the AMT for inflation created one costly cocktail for millions of families.

So there you have it. Congress manages to take a tax designed to target a handful of super-rich tax avoiders—155 people—and 40 years later, millions of middle-class families are being hit by that tax.

For what it is worth, this experience should give pause to any American who wants to hand management of the Nation's health care system over to the good people on Capitol Hill—us good people on Capitol Hill. Nonetheless, since 2001, Congress has patched the AMT. In layman's terms, on a yearly basis we have increased the AMT exemption. The result is that fewer Americans have an AMT liability greater than their liability under the ordinary income tax. These patches have done the trick. They have prevented the AMT from hitting even more families. Republicans dutifully passed that patch as sure as the sun rising in the morning.

Now, don't get me wrong, a yearly patch is no substitute for what we tried

to do during the Clinton years, and that was to completely repeal the AMT, which I have been advocating for many years. Only complete repeal will remove the uncertainty faced by millions of Americans with potential AMT liability. And as is on full display this year, that uncertainty is growing.

The problem now is the insistence by my colleagues on the other side that we follow the so-called pay-go rules. Under a Democratic Congress, any tax cuts must be paid for. Now, let me translate that for you. This Democratic Congress is going to raise your taxes, and to pay for the AMT, a Democratic Congress is going to have to raise a lot of your taxes. Under pay-go rules, if Congress passes a provision that reduces revenues to the Treasury, it must make up the balance from somewhere else. This is true even if the provision does not cut taxes but merely prevents a tax increase from hitting middle-class American families.

The Democratic Congress is proud of these rules. These rules supposedly demonstrate a commitment to fiscal responsibility. But, as some wags have suggested, the Democrats misnamed their rule. It should be more accurately called tax-go, not what it has been—pay-go. You see, in the hands of a Democratic Congress, the way to balance the books after a tax cut is never to cut spending; it is always to raise taxes. You have to love the logic. We are going to cut taxes by raising taxes. This is a public policy of robbing Peter to pay Paul.

Now, you don't have to take my word for it. This is what Congressman TIM MAHONEY, a Florida Democrat, had to say:

You want to reward people for taking risks. How about budget cuts to make government more efficient? We need to show people we are good managers and stewards of their money. I've been here 10 months and I haven't seen one proposal to cut spending.

Now, I think that about hits the mark, and that is a Democrat speaking about Democrat rule in the House of Representatives and the Senate.

Now, for the Democrats—most of them—fiscal responsibility means one thing: raising your taxes. They have a one-page playbook, and with the AMT fix passed by the House last week, they ran that play right down the throats of the American people. Touchdown. Democrats. Unfortunately, the American people are the big losers here. A 1-year patch for the alternative minimum tax costs \$50 billion. For 2 years, we will need to come up with \$135 billion. Permanent repeal of the alternative minimum tax will now cost us \$872 billion.

Oh, if we had just had President Clinton sign into law the repeal of AMT that we passed through both Houses of Congress back then. But let's just start with the 1-year patch.

In order to pay for this \$50 billion 1-year patch—or a tax increase, in other words—the House had to come up with \$50 billion in tax increases. One of the

most talked about tax hikes in that bill involves treating carried-interest income, currently taxed as capital gains, as ordinary income. This is an old-school soak-the-rich play, honed before the adoption of the forward pass. I think for this one the Democrats pulled out FDR's playbook. Go after private equity managers, raise taxes on the 50,000 people nationwide earning carried interest, and keep taxes level for the 23 million people whose financial security is jeopardized by AMT. Never mind the fact that this could create perverse disincentives for one of the engines of our current economic growth. Never mind that it would reduce risk-taking in venture capital firms and real estate partnerships and other entities that create jobs and economic growth. Never mind the fact we are paying for a 1-year AMT tax by permanently raising taxes—your taxes. No, what is really pathetic about this proposal is that the Democrats who support this want to permanently raise taxes to pay for revenue we never thought we would have in the first place. People, this is phantom revenue. We were never going to collect this money. We never wanted to collect this money. But with a twisted sense of fiscal responsibility, we are now going down the road of permanently increasing taxes to make 1-year offsets on money we never thought we would have. And that is because we are unwilling to cut spending in this Congress today. Now, this is some seriously warped tax policy.

The House majority leader sees these misguided tax hikes as a model of virtuous statesmanship—"Raising revenues takes political courage." If that is true, then the House Democrats are the Spartans of tax hikes. In the end, I doubt we will raise taxes to pay for AMT relief. I certainly hope we will not do that.

I understand why the Democrats feel the need to blame someone else for this problem. While Americans everywhere could be hit by the AMT, it really is the high-tech States—represented primarily by Democrats—that will suffer the most if Congress fails to act. All States will suffer, but the ones that will suffer the most are the blue States. Taxpayers in California, Connecticut, Maryland, New Jersey, and New York filed 44.2 percent of all AMT returns last year, and I think that figures in it a lot.

This disparity is only growing. If Congress does not fix this problem, in States such as Connecticut, Maryland, and New Jersey, nearly 25 percent of current filers will be forced into paying the alternative minimum tax. Absent alternative minimum tax relief, New York would have 1 million additional AMT tax filers this year compared to last year—1 million more. In California, the number of new AMT filers would increase by 1.7 million.

I don't mind these Robin Hood-like approaches to blue States, if that is what they want to do by electing peo-

ple who do this to them. I think they have a right to do that. But I will bet money that they do not want that type of thing to happen to them.

These individuals and families, who are going to now be sucked into the AMT tax, never thought they would be subjected to the AMT and so they did not withhold accordingly. The worst case scenario, then, is that they will actually have to cut checks for thousands of dollars come April.

Let's not forget the 25 million lower income taxpayers who are facing long delays in getting their refunds because of the slowness of the Congress and the inability of Congress to get this done. This would be devastating, it will be devastating, unless we can change this. Yet we continue to dither. The answer is easy: Repeal it, just do it, get rid of it already. But Democrats do not seem to be inclined to do the sensible thing. They want to let the AMT linger and fester.

Year after year, repeal will become even more expensive and the Democrats, armed with their pay-go rules, will have to find a way to balance the books when they do repeal it.

What do they propose? How will they offset the nearly \$1 trillion that AMT repeal or reform will cost? If you look closely enough, you can just make it out on the horizon—the mother lode, the mother ship, the mother of all tax reforms, according to my dear friend over in the House, the chairman of the Ways and Means Committee. We are close friends but, boy, he called it right, the mother of all tax reforms.

AMT relief is at the center of the central Democratic proposal for tax reform. While this tax reform is going nowhere right now, make no mistake about it, this is what we have to look forward to, from a Democratic Congress and White House.

My friend from New York, the chairman of the Ways and Means Committee, has a way of getting what he wants. He is smart—I think he is brilliant, personally—he is persistent, and he knows how to cut a deal. I know. I have worked with him on a number of things. I have great admiration for him. And this mother of all tax reforms is his baby. But as much as I love my friend Congressman RANGEL, this is one ugly mother.

This mother is not friendly or funny like Lucille Ball. She is a bit creepy, as a matter of fact, as you can see. Actually, she is a bit scary. That is frightening. At times, she is downright unstable. This may be hard to see on the television cameras here, but she looks pretty unstable to me. And she is coming to get the middle class.

This mother promises to get rid of the onerous AMT. By repealing AMT, mother claims she will provide tax relief to millions of middle-class families. But mother is really only out for mother. Of course, that relief is not real relief, since we never intended those families to pay the AMT in the first place. Calling this tax relief is

like someone getting ready to hit you in the head with a hammer, deciding not to hit you, and then telling you that he is doing you a favor.

What she gives with one hand, this mother takes away with the other, by assuming the 2001 and 2003 tax cuts, so essential to our economic growth, will expire.

The mother ship already comes fully loaded with the largest tax increase in history. Allowing the 2001 and 2003 tax cuts to expire would dwarf even that.

This is not a recipe for happy taxpayers, this is bitter and unnecessary medicine. The majority of Democrats in the Congress seem prepared to make the American taxpayer take the dose. You can see, it is not very tasty.

We do not need to go down this track. To borrow from an old movie, we should "Throw Momma"—this mama—"From The Train." It would be a real mistake to continue the practice of paying for fake, temporary tax cuts with real and permanent tax hikes.

Contrary to the assertions of some of my colleagues on the other side of the aisle, the only responsible and the only realistic action we can take is to repeal the AMT in its entirety right now. We should do so without raising taxes.

We are going to have a debate in the next few years over fundamental tax reform and we are going to have debates over fundamental health care reform. We should do so without the specter of the AMT hanging over this Chamber.

I urge my colleagues to repeal it in its entirety, right now, without raising taxes. You cannot be fiscally responsible without being fiscally honest. This phantom income should play no part in broader debates over tax reform. At the very least, we should not pass permanent tax hikes that would have ugly economic ramifications in order to pay for 1 year of AMT relief. We are putting off disaster 1 more year by doing that, at a cost of \$50 billion in tax increases.

There are some ways we can do this. There are no good ways we can do this. But I know one thing, the worst way is to do it by increasing taxes to pay for it, and stifling the economy that has enough on its plate with the high cost of energy, to mention one item.

To go to approximately 24 million people from 155 people is more than absurd. That is where we are going. If we take this mother of all tax reforms seriously, and if we were able to pass that—and I hope we are not—I have to say there is going to be a great increase in taxes, a great stifling of the economy, and much more difficulty for this country in the coming years.

One reason I am giving these remarks is I know there are people on the Democratic side who do not like this, who are responsible and who do want to do what is right, who basically know there are no good options here. Raising taxes is one of the worst options we can do. I appeal to them to stand up now and not let this happen

because if it does, this economy is going to pay a tremendous price. I think in the end, as bad as it will be no matter what we do, there are better ways of doing this than increasing taxes, doing it the way that has been suggested.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. SESSIONS. 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. SESSIONS. Mr. President, I ask unanimous consent that I be allowed to speak as in morning business.

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

were facing there, in particular al-Qaida, which was a strong entity at that time.

I have got to tell you, I was worried things had not gone as well as we had expected. We had had a bad year, and casualties were up and attacks were up and it was a tough time. But as part of that debate, we asked General Petraeus to come back in September and give us a report. My Democratic colleagues and others, all of us were concerned. We wanted a report to see how things were going because we were not going to have a blank check and unended obligation to Iraq if things were not going to work.

That is a fundamental synopsis of the situation. I believe that is a fair analysis. So General Petraeus came back and gave us his report. General Jimmy Jones had been sent and a group of other independent evaluators with experience in military matters.

That commission was sent over there at the direction of Congress. When we passed the supplemental to fund General Petraeus and the surge, we required another report, not just General Petraeus, but the Jones Commission to come back and make a report. We asked the General Accounting Office to do an evaluation also, the independent GAO.

So they all came back in September. We had hearings and debate and suggestions and we continued to go forward. We voted, in essence, to continue to allow General Petraeus to pursue the plans he was carrying out. Some progress had been made. It was notable, but it was not sufficient for us to say with certainty that a major change positively had occurred. We could not be certain of that. But it looked as if some progress was being made with more troops and new tactics.

So we said then: Let's go forward. And we did. Now we have seen some very dramatic positive developments in Iraq. The Iraqi people, by all accounts, I think few can dispute this, have believed the American troops are reliable allies. We have changed our tactics in how we deal with the local Iraqi officials and tribal leaders and mayors and chiefs of police.

We are doing a much better job—General Petraeus is—of partnering with them. They have turned against al-Qaida, Osama bin Laden's troops, that terrorist group they thought was going to take over Iraq. And Al Anbar, the worst area in Iraq for al-Qaida, has made a transformation. Al-Qaida is on the run throughout Iraq. Violence is down substantially.

Can I guarantee you it will continue to go down? I cannot. I can tell you that deaths of American soldiers are down by two-thirds this last month; and attacks on Iraqi civilians, which always cost more lives than attacks on our American soldiers, are down by a similar margin. Attacks on Iraqi soldiers are also down.

Al-Qaida has virtually been removed. Sadr's group has quieted down and

IRAQ

Mr. SESSIONS. Mr. President, we are facing a number of challenges in the Senate and in the Congress, but none is more important than our willingness and our responsibility to properly support the men and women in our Armed Forces who are serving us today in Iraq and Afghanistan; serving us because we voted to send them there, doing the policy of the United States that has the support of the President, the Chief Executive, the Commander in Chief, and that has been supported by the Congress.

Yes, we have had a lot of debate, a lot of dissension, and a lot of complaints, but when the chips have been down, time and time again we have authorized and funded the activities that are going on now in the name of the United States of America in Iraq and in Afghanistan.

We had an election last fall. We have heard people talk about that. But the American people did not say: We want to pull out of Iraq regardless of the consequences. They said they were not happy, and none of us were happy with the way things were going.

It seemed to be drifting in a bad way, and there seemed to be no positive results coming. So we had, after this election, last spring, April and May, a big debate about it. And President Bush said: We need to change policy. I am going to send a new general over there, General Petraeus, and we are going to change tactics, and I am going to ask you to approve additional troops. I am asking for a surge in troops.

So we talked about it. We debated it right here in the Senate. This great Nation's legislative branch responded to the President's call and had a debate on it. We had no obligation to fund that. None whatsoever. But earlier in the summer, we voted 80 to 14 to fund the surge in Iraq and to send General Petraeus and to give him a chance to utilize a new tactic and a new strategy for confronting the terrorist forces we