

## RESERVATION OF LEADER TIME

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

## TEMPORARY TAX RELIEF ACT OF 2007—MOTION TO PROCEED

The ACTING PRESIDENT pro tempore. Under the previous order, there will be 1 hour of debate, prior to a vote on the motion to invoke cloture on the motion to proceed to H.R. 3996, with the time equally divided between the two leaders or their designees, with the 20 minutes immediately prior to the vote to be divided 10 minutes each for the leaders, with the majority leader controlling the final 10 minutes.

The Senator from New Hampshire is recognized.

Mr. GREGG. What is the order of recognition? Is it the Democratic side or Republican side?

The ACTING PRESIDENT pro tempore. There is no order of recognition.

Mr. GREGG. Does the Senator wish to proceed?

Mr. BAUCUS. You go ahead.

Mr. GREGG. I will be happy to allow you.

Mr. BAUCUS. Mr. President, I yield myself such time as I consume.

The ACTING PRESIDENT pro tempore. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, in the 1931 film classic, "Frankenstein," the character Dr. Waldman tells Dr. Frankenstein:

You have created a monster, and it will destroy you.

That is how the AMT looks to the Tax Code. That is what it looks like. It is a monster. It is a thing of dread for many Americans. Unless we act, it will destroy the entire tax system. If we don't act pretty soon, the AMT tax will be greater than the individual Federal income tax. This tax is a problem for taxpayers in all 50 States. I must give a few numbers as to what will happen if we don't extend the AMT patch.

Let's take Texas. The number of Texans subject to the alternative minimum tax, if we do not act this year, would increase from roughly 150,000 taxpayers in Texas to 870,000 taxpayers. That is about a sixfold increase in 1 year.

The number of Nevadans subject to AMT would increase from about 15,000 to about 100,000—again, a little over a sixfold increase.

The number of South Carolinians would increase from 30,000 to 190,000, again a large increase, about 6 times.

That is about average across the country, six times more Americans will pay more taxes under the AMT if we don't act, compared to what they were otherwise paying.

Even taxpayers who do not pay the AMT tax are hurt. Why? Because taxpayers have to calculate not only the regular tax, but taxpayers then have to calculate the alternative minimum

tax. That is the law. You have to do both.

First, you have to calculate all your regular taxes. Then you have to calculate what taxes you may pay under a whole separate system of AMT. So even though you may not pay more under the alternative minimum tax, you have still got to go through a second calculation. That is not a lot of fun. Then, if the second calculation shows you pay more under the alternative minimum tax, guess what. You have to pay more. You cannot choose to pay the lesser of the two; you have to pay the greater of the two. That is the law.

Again, the monster created by the Congress years ago, unintended consequences, but a monster we can eliminate, if not destroy, if we take action today.

Calculating taxes once is scary enough. Calculating taxes twice is almost enough to destroy a person. It may also cause significant financial hardship. Why? Because in today's economy, families depend on that refund check. It is getting close to Christmas. People are buying presents. Sometimes they run up their credit cards a little bit. They are depending upon that refund check to pay off their credit card balances. A lot of Americans do that. A lot of Americans do that.

Think of the taxpayers who think they are going to get a refund from the Federal Government. But then, if we do not fix this AMT problem, what happens? They get the letter in the mail telling them they have to pay more taxes because of the AMT. Talk about your horror story.

Here is an example of how AMT hits working families. Let us take a married couple, four young children. What is their household income? A whopping \$75,000 a year. Their regular income taxes should be about \$1,800. That is probably what they pay. This is after the standard deduction and after the child tax credit.

Again, a family with a \$75,000 income, family of four, pays about almost \$2,000. Not quite, because they are able to take a standard deduction for the child tax credit.

Well, let's see what happens when we calculate the alternative minimum tax. Same family. Same income. The amount more than doubles this family's tax liability. It raises their tax from \$1,800 to \$3,800. More than twice. More than twice.

That is a family earning \$75,000. Not a huge, big-income family. That is a \$75,000 family. The AMT hits this family not because they are rich, because they are not. Why? Because they have four kids. That is kind of how it works. It is perverse. If you have more children, you pay more taxes. That is kind of nutty, but that is what it is today.

The AMT will cost taxpayers because it costs the Federal Government. A delay will create delayed tax return filings, and last minute legislation will delay the issuance of Federal refunds.

With each extra day we delay, the greater the cost. The greater the cost to taxpayers, the greater the cost to the IRS. The cost mounts up.

Let's look at some of the costs of delay. If the IRS has to postpone accepting returns to the early part of the filing season, say January 28, this would delay the receipt of more than 6.5 million returns, delay the issuing of more than 5.5 million refunds, totaling more than \$17 billion, delay about \$17 billion worth.

A delay in fixing the alternative minimum tax affects States. We are not just talking about the Federal income tax, we are talking also about State taxes. Why? Because most State taxes are tied to the Federal tax system.

A delay in the Senate will mean not only a delay in the Federal tax receipts but also a delay in the State tax refunds, Federal and State.

A delay will also mean States that are already financially strapped could have a cash crunch. Think of the States' coffers. Their normal flow of tax revenues will not be coming in. Many States are very tightly budgeted. I know that is true in the State represented by the officer in the chair. I hear many times about the tight fiscal situation in that State.

That is true for most States. If tax agencies cannot reprogram their computer systems in time, States and the IRS are concerned taxpayers will turn back to paper returns. What is the consequence of paper returns? It leads to an increase in processing times and costs as well as more errors.

Let's take the State of Montana. In Montana, it costs \$2 to process an electronic return, \$2. But it costs \$9 to process a paper return. I daresay that disparity is probably true in most States.

At a time when families are experiencing hardship, I must say the other side of the aisle is playing politics. They are not letting us fix this problem. They, in effect, consequently want to increase taxes. They are increasing taxes. How? By causing the alternative minimum tax to be imposed upon Americans, by not letting us fix the alternative minimum tax.

You watch that vote that is coming up. We are not going to get 60 votes. You watch how, when the leader is going to request we take up the House-passed bill, and the substitute measure where we fix the AMT patch, unpaid for, they will object to that. They do not want to fix this problem. They say they do, but their actions are louder than the rhetoric. They are raising taxes. They are raising taxes by not allowing us to fix the alternative minimum tax patch for 2007.

In the 1945 B movie "House of Dracula," the character, Dr. Edelman, says of Frankenstein's monster:

He's indestructible. Frankenstein's creation is man's challenge to the laws of life and death.

Let's prevent that from being said about the AMT. Let's prove the AMT is

not indestructible. Let's move to proceed to the House bill and stop this tax monster.

We are going to do this. Let's do it now. We know we are going to fix this one way or another. So I say: Stop playing politics. I say that to the other side of the aisle because they are going to block this next cloture vote. They are going to object to the motion asking consent to pass the alternative minimum tax, unpaid for.

I say: Stop the games. Let's get on with it. Let's help do something for the American people. Let's move to proceed to the House bill, stop this tax monster.

The ACTING PRESIDENT pro tempore. The Senator from New Hampshire.

Mr. GREGG. Mr. President, I appreciate the chairman of the Finance Committee outlining the problems with the AMT. I agree 100 percent with his statement relative to the problems with the AMT. He is absolutely accurate. It was a concept passed with the consequences being—with the known consequences being—to make sure people who had high incomes would pay a fair share of taxes.

It turns out it was drafted poorly, it was not indexed for inflation. As a result, we have literally millions of people who are paying this tax who should not have to pay this tax, and therefore it should be repealed. Actually, it should be repealed permanently. There is no reason for us to even go 1 year. We should do the whole thing, get it done.

But this bill which is being brought forward on which cloture is being filed in order to proceed to it is a very bad approach. Because basically what this bill is saying is a tax which was never intended to be in place, people who were never supposed to pay this tax and, therefore, to correct it is not giving them a tax cut, it is simply saying: You are going to be taxed the way we expected you to be taxed. Or to put it another way: If the alternative minimum tax goes forward, people are going to pay a tax they should not have to pay because it was never perceived they would have to pay it.

A bill which should accomplish that, which should give those people relief, is being coupled with tax increases on people who should not have to pay new taxes to correct the alternative minimum tax problem.

It is also being coupled with a bill which has some bad policy in it. For example, this bill will stop, stop the IRS from proceeding with investigations and action, potential action, against people who are using the Virgin Islands as a tax shelter. There are 279 investigations going forward right now relative to Americans who have basically created a shell lifestyle in the Virgin Islands so they can avoid taxes in the United States, which they probably owe.

It is estimated there may be as much as \$370 million of taxes owed to the

United States by those high-income individuals. What does this bill do that came to us from the House? It says: We are going to stop that. We can no longer investigate those people. The IRS can no longer continue to proceed with an action against those people who are basically trying to escape American tax law.

It also, this bill, includes in it a tax deduction for State legislators during periods when they are not in session. How about a little gift to our friends in the State legislature maybe in New York. So that if the New York legislator does not even go to Albany, they are still able to deduct their per-diem expense.

That is called porkbarrel tax policy, I suspect. Those are terrible policies. But the larger policy which is bad, which is in the bill before us, is we are essentially going to hit partnerships and individuals with something called a carried interest tax, the practical effect of which will be that people who are involved in the financial business of this world—in the United States, not the world, people who are involved in the financial business in this country—and I know there is not a lot of sympathy for those folks because they make a lot of money. We would all like to make a lot of money like that. But these folks are essentially the engine of a large part of our economy. They are the ones who are creating the capital which is then invested in the businesses. They are the entrepreneurs who then create jobs. Jobs do not appear from thin air. They do not. They appear because someone out there is a creative individual who says: I have an idea. I am going to start this little company. I am going to start this little restaurant. I am going to start this little business.

They build it, and then they get to a certain point where they need more money in order to expand it to create more jobs. Where do they get the more money? It does not appear from thin air. It appears from the fact that we have financial markets, the most viable capital markets in the world where people can raise money. They go into the market, and they say to the people who are the professionals: We need X amount of dollars in order to expand our business so we can create more jobs in New Jersey or in New Hampshire or in Montana or in Texas. We are coming to you to help us raise capital.

Those folks go out and they raise the capital. They invest it in those businesses and those businesses create jobs, those entrepreneurs create jobs. What this bill says is: Those people who are in those financial markets will receive a brandnew tax on what they consider to be the way they raise money and create wealth for Americans by creating jobs, in what they consider to be a fair way to do it, which under the tax law today they are not taxed for it. It is a brandnew tax. What is the practical implication of putting this new tax in place in order to pay for the

elimination of a 1-year kicking down the road of the alternative minimum tax expansion? Which should be done.

The practical implication of doing it by raising taxes in this way is that, first, people who should have not paid taxes under the AMT will not have to pay their taxes. That is good. We should not have counted that revenue anyway.

But, second, you are going to put in place a new tax system which would drive those people who create that financial incentive, which creates jobs, which gives business people and small entrepreneurs in this country the revenue and capital they need to create jobs, you will drive them overseas. We will be exporting jobs again because we are in global competition in the area of capital.

One of our biggest problems in this country today is a lot of the capital that is being formed in this world today, which used to be done in New York, where if you wanted to raise capital in this world, you used to come to New York. Unfortunately, it is a world competition, and now places such as London are competing with us, and they are being very effective in their competition.

One of the reasons they are able to compete with us effectively is we have put a lot of restrictions on our people which have been maybe a little bit over the top and, more importantly, we have a tax policy which has not been constructive, which has not encouraged people to stay here. It encourages them to go overseas.

The effect of this proposal will be to even aggravate that further. We will be exporting more jobs. More importantly, not only will we be exporting the job of the person in the financial market, we will be exporting the creation of the capital. That is serious. Because that capital is the feed corn for the expansion of our economy.

You should not be raising taxes at this time. That is another point that should be made—this alternative minimum tax proposal which comes to us from the House raises taxes. That is pure and simple. We are headed into potentially an economic slowdown. That is the way it looks. Because of the subprime crisis, because of the capital market crisis, we are heading into some sort of a slowdown. Hopefully, it will not be severe, but it could be difficult. There is no question about that.

To raise taxes in the face of that type of a slowdown is the absolute opposite of what any reasonable person who has experienced any economic slowdown would do. In fact, recently I was interested to read what Robert Reich, who was Secretary of Labor under the Clinton administration and who is readily acknowledged as being a liberal economist, and a very talented one by the way, he went to Dartmouth, so I know he is talented.

Robert Reich said: A tax increase at this time would be foolish. What we should be talking about is a tax cut.

Actually, what we should be talking about, and what we on our side would like to do, quite honestly, is put in place an alternative minimum tax fix which is permanent. That has been proposed by a number of us on our side.

Let's correct this problem so we do not have to deal with it this year, next year, or the year after. That is the first thing we should do. Short of that, we should put one in that is a little bit longer, at least, so there is some predictability in the tax law.

But under no circumstances should we put in place an AMT fix which is coupled with a tax increase or which is coupled with terrible policies such as this Virgin Island loophole and this State legislator loophole that was put in this bill. That is why we resist this approach.

The Republican leader came to the floor a couple days ago and suggested three or four different avenues where we could correct this problem. They were all fairly reasonable. I don't know why they were rejected by the other side of the aisle. My sense is that we should be able to work this out because I honestly believe, when I listen to the chairman of the committee, that there is not that much difference between where he wants to go and where our side would like to end up, which is let's straighten out the AMT. Let's put all this additional tax policy and these tax increases which have come from the House aside. Let's say: The House got off on the wrong track. Let's just take this approach of doing AMT and do AMT and fix that, and then, if the House wants to come back with a tax increase bill, we will fight that out on a separate agenda.

We can't on our side support a bill and vote for cloture on a bill which would mean we would be shut off from a lot of our amendments, vote in a way which would basically put us in a position which would potentially lead to a tax increase in order to correct what is an underlying important problem. Obviously, this is a motion to proceed, so we might not be shut off from amendments, but I suspect the motion to proceed will be followed very closely by the filing of cloture on the underlying bill.

I am not too concerned about the fact that we would not be allowed our approach. If the position of the other side of the aisle is, we are willing to give you your votes, let's set that up right now. Let's take the Republican leader's position, set up three or four votes in tandem, make them all 60-vote hurdles, if that is what it requires—and that is what it will require because pay-go is going to get waived on every one of them—and vote on them—bang, bang, bang, bang, bang. Let's not go through this exercise on cloture. We want to correct the AMT problem. We think it should be corrected. We don't think the way to correct it is to raise taxes on the productive side of the American agenda and potentially throw us into a further slowdown of the

economy or force people to go overseas in order to raise capital or, alternatively, put in place policies which basically make the Virgin Islands a safe haven for people who want to avoid American taxes or give State legislators the opportunity to claim a per diem deduction when they are not even going to work.

I yield the floor.

The PRESIDING OFFICER (Mr. BROWN). The Senator from Montana.

Mr. BAUCUS. Mr. President, I listened carefully to the Senator from New Hampshire. I say to my friend, frankly, I would not have written the House bill in the way it was written. I don't agree with everything in the House bill. In fact, I think there are some measures there that probably should be addressed and amended. I also think, though, that we need to get to the House-passed bill so we can fix the AMT. We can't fix the AMT until we get to that bill. Once we get to that bill, any Senator, irrespective of whether cloture has been filed, can always file a motion to strike. So if there are measures in the House bill that the Senator does not like or the Senator from Texas doesn't like or anybody doesn't like, that motion to strike is available.

If we get to the House bill, I am going to offer a compromise which I think the vast majority of the Members of this body will accept. We need to get to the bill. We need to vote cloture and get to the bill so we can cure this AMT problem, offer amendments that Senators might find objectionable to the House bill. At the same time, I am going to offer a compromise proposal which I believe will dispose of it. I urge my friends on the other side to let us get on the bill. Then we can vote to strike. We can vote on this compromise proposal I will offer.

I mentioned that there are various versions we could vote on. One is just straight AMT unpaid for, period. That is an option. To get there, we need to get to the bill.

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

Mr. GREGG. Mr. President, because I don't think this is inconsistent with what the Senator from Montana, chairman of the Finance Committee, has asked for, I renew the Republican leader's request from yesterday.

I ask unanimous consent that at a time determined by the majority leader, after consultation with the Republican leader, the Senate proceed to consideration of H.R. 3996, the House-passed AMT bill, and it be considered under the following limitations: there be 1 hour of debate on the bill equally divided between the two leaders or their designees, followed by a vote on the motion to invoke cloture on the bill; provided further that if cloture is not invoked, then the only amendments in order to the bill be the following offered in the following order: a substitute amendment to be offered by

Senator McCONNELL or his designee which is to be an offset AMT extension and an unoffset extenders package, a Baucus or designee first-degree amendment to the McConnell substitute which is to be a set of offsets for the extender package, a Sessions amendment related to AMT and exemptions, an Ensign amendment which is an AMT repeal and extends other expiring provisions, and a DeMint amendment which relates to the AMT and flat tax; provided further that there be an additional 2 hours of debate on the bill equally divided between the two leaders or their designees; that there be a time limitation of 2 hours for debate on each amendment equally divided in the usual form; provided that each amendment require 60 votes in the affirmative for adoption and that each amendment that does not receive 60 votes then be withdrawn.

I further ask that notwithstanding the adoption of any substitute amendment, the other amendments be in order; and finally, that following consideration of the above amendments, 60 votes be required for passage of the bill, as amended, if amended.

This outlines a procedure to accomplish what I believe the Senator from Montana requested because it does have his first degree. There are three other amendments in there, but they are all subject to 60 votes—the Sessions, Ensign, and DeMint. If they fail, they fail. One presumes that, depending on the position of the Senator from Montana, since he controls more than 40 votes on his side, that would happen and that we would then proceed in this way.

The PRESIDING OFFICER. Is there objection?

Mr. BAUCUS. Reserving the right to object, I remind all of us, we are here to solve a very imminent problem; that is, the alternative minimum tax. The IRS is having fits, frankly, because they are unable to send out the right returns, programs, and so forth, to help the American public avoid this AMT for 2007. The other provisions listed in that consent have nothing to do with the alternative minimum tax. One is the Bush tax cuts. They don't expire until 2010. We are talking about 2007, right now, this month. Then there is the flat tax. That has nothing to do with the alternative minimum tax. That is a whole other issue that has nothing to do with what we are trying to accomplish today. I urge Senators to keep their eye on the ball. Let's get the AMT patch passed. That is what we are talking about.

I must, on behalf of the majority leader, object. I can't agree to a procedure on the floor without the presence of the majority leader. I just point out the pitfalls of that request which prevent us from getting to a real problem, and that is solving the AMT for the tax year 2007.

The PRESIDING OFFICER. Objection is heard.

Mr. GREGG. Mr. President, I appreciate the objection of the Senator from

Montana. I understand he believes the suggestion he is proposing is the right way to proceed. I would note that this subjects everything to a time limit. Yes, the flat tax is going to be debated for 2 hours, and, no, it is not going to get 60 votes, so it will not be in the final package. Yes, the Ensign proposal, which is essentially a repeal of the AMT and also extends the cap gains dividend rates—I believe that is the proposal—would be brought forward. It would be debated for 2 hours, and then we would move on. I actually hope that one might pass.

In any event, this sets out a pretty tight timeframe. If you take all the factors here, we could finish this by sometime around 7 o'clock tonight, assuming everybody wants to talk for 2 hours, which they probably wouldn't, and be done. We would get it done, get the AMT straightened out, and have done some good work around here. I suspect—though I won't guarantee this—the final resolution of this proposal, which Senator MCCONNELL made yesterday, would be closer to what the Senator from Montana wants than the bill he is suggesting we vote cloture on relative to proceeding.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. CORNYN. Mr. President, may I inquire of the Chair how much time remains on this side of the aisle?

The PRESIDING OFFICER. Four minutes 25 seconds, and for Senator BAUCUS, 8 minutes 12 seconds.

Mr. CORNYN. Mr. President, I ask unanimous consent for 2 minutes for myself and then the remainder of our time to the Senator from Utah, Mr. HATCH.

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

The Senator from Texas is recognized.

Mr. CORNYN. Mr. President, I am not without sympathy for the position argued by the distinguished chairman of the Finance Committee. I think the list of horrors he has recounted by the fact that the AMT is not indexed and will cover up to roughly, I believe the figure is now, 23 million taxpayers unless we act—I am not without sympathy for what he is trying to do here. But the problem is, we are not going to agree on this side to raise taxes against the American people in order to pay for a tax cut for others. It is simply that clear. We are not going to agree to raising taxes, particularly at a fragile time for the economy, by what some have estimated would be \$80 billion a year.

I believe three simple principles will help us find a solution. One is that we ought to protect the middle class from the rise of the AMT which President Clinton vetoed a full repeal of in 1999. I wish he had not done that then. That would have protected us from where we are today. We ought to pass the expiring tax provisions, the so-called tax extenders for capital gains and dividend rates and other tax relief which have

contributed to 50 months of continuous and uninterrupted job growth since tax extenders relief was passed in 2003. We ought to do both without raising taxes on the American people.

Unfortunately, we know a tax increase is like throwing a wet blanket on the American economy. The AMT, if we don't act, will hit about 870,000 of my constituents, up from 150,000 now. It sounds to me as if the distinguished chairman of the Finance Committee is sympathetic to the direction we would like to move that this bill, unfortunately, does not represent. But as long as we are presented with a choice of cutting the AMT by raising taxes, I don't believe we are going to see any progress.

I yield the floor.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, the AMT was initially designed to catch about 155 people who were not paying taxes but were immensely wealthy and getting all kinds of income every year. Today, there are 4 million people who are paying the AMT. If we don't do something about it, there will be 25 million tomorrow. To be honest with you, because we have delayed so long, we are going to be in a bind as far as even getting the software done, the paperwork done, the IRS work done to be able to give people their refunds this next year because of the delay we have had. I respect the distinguished chairman of the committee. It has been a very difficult committee to manage, and he has done as well as anybody I can imagine.

We need to fix the alternative minimum tax, the AMT. There is no argument in this chamber about that. If we fail to act, 25 million Americans might have to write checks to Uncle Sam for thousands of dollars.

So we agree on fixing the AMT.

But the devil is in the details, and I cannot support a plan that prevents a tax increase on millions of Americans by raising taxes on others.

Congress never anticipated having anywhere near this level of AMT revenues to begin with, so we should not be raising taxes permanently to make up for that phantom lost revenue.

We are well past time for serious action on the AMT.

Almost 3 weeks ago, I came to the floor to discuss the financial and political ramifications of Congress' failure to fix the AMT.

We had a crisis then.

It is worsening by the day.

Even if we were to patch the AMT today, the American people will suffer from our inaction.

We have known that the AMT train was coming down the tracks all year.

This failure to act is setting new standards for ineptitude.

Three weeks ago, the failure to patch the AMT was merely creating uncertainty for millions of Americans who would be subject to it if we dropped the ball.

Three weeks later, these poor folks are barely the half of it.

Now billions of dollars in tax refunds risk being delayed because of inaction.

On November 26—11 days ago the chairman of the IRS Oversight Board sent a letter to the chairman and ranking member of the Senate Finance Committee.

His grim assessment of the situation is worth our review.

The filing season is expected to start on January 14, but that date is now in jeopardy.

IRS computer programs are set to process tax returns under current law.

The IRS cannot flip a switch and process millions of tax returns in January, when Congress changes the law on Christmas Eve.

According to the IRS Oversight Board, the IRS would be able to start processing tax returns within 7 weeks of the enactment of an AMT patch.

So if we were to enact an AMT patch today, tax filing season would start almost 2 weeks late.

That delay would lead to 6.7 million delayed tax returns and \$17 billion in delayed refunds.

What if we delayed the start of tax season 1 more week?

Then we are looking at 15.5 million delayed tax returns and \$39 billion in delayed refunds.

Push it back another 2 weeks—37.7 million delayed tax returns and \$87 billion in refunds delayed.

Many Americans actually look forward to getting their W-2 in the mail. Their employer withholds too much money from their paycheck every year, and the W-2 allows them to file a return and get that money back.

And now with electronic filing, Americans are able to get those refunds even more quickly.

Utahns depend on their refunds.

They count on their refunds.

Undermining that confidence is much worse than a lump of coal in a stocking.

We are now in the Christmas season.

I am sure that the movie "Christmas Vacation" will be on television soon.

That movie contains a lesson that we should all heed.

In that movie, Clark Griswold, assumes he is going to get his annual Christmas bonus.

That Christmas bonus is as reliable as a weekly paycheck.

And when that bonus did not come, he—flat—out—went—nuts.

The political philosophy of Clark Griswold is one that I would commend to my colleagues.

It is one shared by the American people. If you mess with my family's financial security, you better watch out.

The Senate's failure to patch the AMT in a timely fashion is going to delay millions of tax refunds, and we should not be surprised when the American people—like Clark Griswold—go nuts.

Right now, Americans are likely making decisions about the Christmas

gifts they are going to buy, at least partially, based on their tax refund.

They assume they are getting that tax refund.

And they assume they are getting it on time.

Further delay is no longer acceptable.

Yesterday on the floor, Republicans were blamed for holding up passage of an AMT patch.

That is funny.

When Republicans were in the majority, we managed to pass an AMT patch early in the year, no later than May 11.

We did it without permanent tax hikes to pay for 1-year AMT fixes.

We did it without including special interest giveaways, and we did it without delaying tax refunds.

Democrats did tell us yesterday on the floor that they are the party of change.

On the AMT at least, they seem to be succeeding.

To fix the AMT they propose raising taxes.

To pass important tax extenders they are raising taxes.

And their efforts have now jeopardized the tax filing season and refunds for the hard working Americans who depend on them.

When times change, they sure do change.

We are about to have a vote on the AMT.

I support AMT relief. I support AMT repeal.

But I will not support this fake tax relief.

I am not the only one. The Democrats' plan to fix the AMT with permanent tax increases ought to fail.

And for good reason.

We should not be paying for temporary tax cuts with permanent tax increases, nor should we be putting the economy at risk by passing unnecessary tax hikes.

When this episode is over, we need to get down to the real business of fixing this AMT so we can get Americans the tax refunds they expect and the tax relief they deserve.

The PRESIDING OFFICER. The senior Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I just want to make the fundamental point that if we don't act, we will be raising taxes on 19 million Americans. We have to act to prevent a tax increase from going into place. We on our side ask to vote for cloture so as to get to the bill which accomplishes that result of preventing 19 million Americans from paying greater income taxes. We have to get to the bill so we can pass that legislation. It can always be amended by any Senator who has a problem with other provisions that might be in this bill. I respect that. In fact, I would agree with some of those amendments. I am quite certain, and motions to strike are always available.

We need to get to the bill so we can prevent a tax increase on 19 million

Americans, called the alternative minimum tax, from going into effect. To the degree to which the other side prevents us from getting to the bill, that indicates to me they want to increase taxes on those 19 million Americans. I hope that is not true, but their actions indicate that it is true. Unless they totally change and say, yes, we should get to the bill to fix this AMT problem, I have to conclude they want to increase taxes on those 19 million Americans.

I see no other Senators who wish to speak, so I note the absence of a quorum, and I ask unanimous consent that the time be equally divided on both sides.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McCONNELL. 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. McCONNELL. Mr. President, before we cast our votes this morning, Americans should know exactly what we are voting on. This is not a vote on fixing the AMT; this is a vote to raise taxes. Every year for the last 4 years, Republicans in Congress have found a way, usually by May of the year in question, to correct a glitch in the Tax Code that threatens to affect more and more families each year.

This is a middle-class tax that was never meant to be. It was created to make sure 155 super-rich individuals couldn't avoid paying taxes. But because the people who wrote it didn't account for inflation, it now threatens 25 million middle-class families.

Republicans have always found a way to deal with this problem with the tax laws, and we did it without raising taxes. But the majority that now controls Congress has a different view. They don't want to protect the 25 million Americans who get hit by this glitch over the next few months, unless Republicans agree to raise taxes on other Americans in the process.

Let me say that again. What we are talking about here is extending current tax law, which normally we have done, and adding a new condition to that, saying we are only going to extend this tax break if we raise taxes on a whole lot of other Americans. Now, Republicans will respond to this proposal in the same way we have responded to it publicly and privately all year: No deal. No tax hike.

Democrats thought they could force us into accepting this proposal by waiting until the last days of the session to call a vote, but they were wrong. What they have forced instead is a crisis. Unless they fix this glitch, millions of Americans—including more than 3 million in New York, 98,000 in Nevada, and 819,000 in Illinois—will get a big surprise when they sit down to do their taxes over the next few months. Millions more will face delays in getting

the tax refund checks they count on every year.

The majority needs to find a way to fix this problem before it gets even worse. We have been warning them about it all year long. The senior Republican on the Finance Committee reminded us yesterday that he has spoken on the Senate floor on this issue no fewer than 12 times since last January. Senator GRASSLEY has spoken on this issue no fewer than 12 times since last January. The Treasury Secretary sent us urgent letters. The IRS sent us urgent letters. There is really no excuse for the delay.

This is a problem we can solve. We have shown the Democrats how. We don't need the majority leader to do a backflip off the Secretary's chair, as he suggested yesterday. We want him to give us a fix that does not raise taxes, that is fair, that is simple. This will work, and this will not put the majority leader or anyone else at risk of any physical harm.

So far, the majority has refused our offer. So here we are, about to vote on a massive tax hike that we know would not pass the Senate—and which we know the President wouldn't even sign if it did pass the Senate—instead of doing our job and fixing this middle-class tax hike.

With all due respect, this is no way to legislate. Let me be very clear to my colleagues across the aisle: Republicans will not raise taxes—will not raise taxes—in exchange for blocking a tax that was never meant to be. Our position has never been a secret. The Democrats have known it all year.

I will vote against this massive tax hike, and I urge all of our colleagues to do the same.

I yield the floor.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. REID. Mr. President, during the Clinton years we did some good things for this country, and when the history books are written, one of the things that will be paramount in those accounts will be what President Clinton did, with his allies in Congress, to turn the country around economically. During the Clinton years, we were paying down the debt by half a trillion dollars. We were spending less money than we were taking in. We can all look back to those days when Alan Greenspan told us in committees assembled that we should cut back. We were paying down the debt too quickly.

When President Bush took office, there was a \$7 trillion surplus over 10 years. With all of the things that he has done to bankrupt this country, we are now in debt of some \$10 trillion.

The bill we have before us is a bill that says this tax needs to be patched, but it should be paid for.

That is what we did in the Clinton years. That is what we did in our budget that we passed here. Mr. President, we passed the first budget in this Senate in 3 years—our modest majority—by one vote, because Tim Johnson was

sick. We passed again, following the Clinton example, a balanced budget where we said we believed if we are going to have new programs, they should be paid for. It is called pay-go. We said if there are going to be cuts in taxes, they should be paid for.

The Speaker followed this, and we now have a bill from the House that takes care of the patch, but it pays for it. Isn't that what the American people want? Isn't that the example we should set for them—that if we spend some money, we have to make provisions to pay for it? If you have a home and you suddenly decide you need something, such as a new refrigerator, and your credit card is at its maximum, then you cannot buy that refrigerator. There has to be some ability in this Congress to treat this body just as a family treats its own budget.

The wailing and crying we are hearing here is that they "find it offensive"—those were the words of my distinguished Republican colleague, Senator McCONNELL, yesterday—to have to pay for these tax cuts. Well, I hope everyone understands that we are trying to do what is right, that we are trying to have the Government of the United States not be one that is buried in red ink all of the time.

This is a \$50 billion patch. Should it not be paid for? The answer is, obviously, yes. I hope everybody votes for cloture on this most important piece of legislation.

#### CLOTURE MOTION

The PRESIDING OFFICER. Under the previous order, pursuant to rule XXII, the clerk will report the motion to invoke cloture.

The legislative clerk read as follows:

#### CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby move to bring to a close debate on the motion to proceed to Calendar No. 487, H.R. 3996, the AMT tax bill.

Harry Reid, Dick Durbin, Patty Murray, Max Baucus, Jay Rockefeller, Patrick Leahy, Daniel K. Inouye, Herb Kohl, Benjamin L. Cardin, Jeff Bingaman, Ted Kennedy, Carl Levin, B.A. Mikulski, Barbara Boxer, Debbie Stabenow, Maria Cantwell, Bill Nelson.

The PRESIDING OFFICER. By unanimous consent, the mandatory quorum call is waived.

The question is, Is it the sense of the Senate that debate on the motion to proceed to H.R. 3996, a bill to amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes, shall be brought to a close?

The yeas and nays are mandatory under the rule.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. DURBIN. I announce that the Senator from Delaware (Mr. BIDEN), the Senator from New York (Mrs. CLINTON), the Senator from Connecticut (Mr. DODD), and the Senator from Illinois (Mr. OBAMA) are necessarily absent.

I further announce that if present and voting, the Senator from Delaware (Mr. BIDEN) would vote "yea."

Mr. LOTT. The following Senators are necessarily absent: the Senator from Arizona (Mr. McCAIN) and the Senator from Ohio (Mr. VOINOVICH).

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 46, nays 48, as follows:

[Rollcall Vote No. 414 Leg.]

#### YEAS—46

Akaka	Harkin	Murray
Baucus	Inouye	Nelson (FL)
Bayh	Johnson	Nelson (NE)
Bingaman	Kennedy	Pryor
Boxer	Kerry	Reed
Brown	Klobuchar	Rockefeller
Byrd	Kohl	Salazar
Cantwell	Landrieu	Sanders
Cardin	Lautenberg	Schumer
Carper	Leahy	Stabenow
Casey	Levin	Tester
Conrad	Lieberman	Webb
Dorgan	Lincoln	Whitehouse
Durbin	McCaskill	Wyden
Feingold	Menendez	
Feinstein	Mikulski	

#### NAYS—48

Alexander	Crapo	Lugar
Allard	DeMint	Martinez
Barrasso	Dole	McConnell
Bennett	Domenici	Murkowski
Bond	Ensign	Reid
Brownback	Enzi	Roberts
Bunning	Graham	Sessions
Burr	Grassley	Shelby
Chambliss	Gregg	Smith
Coburn	Hagel	Snowe
Cochran	Hatch	Specter
Coleman	Hutchison	Stevens
Collins	Inhofe	Sununu
Corker	Isakson	Thune
Cornyn	Kyl	Vitter
Craig	Lott	Warner

#### NOT VOTING—6

Biden	Dodd	Obama
	McCain	Voinovich

The PRESIDING OFFICER (Mr. CARDIN). On this vote, the yeas are 46, the nays are 48. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

Mr. REID. Mr. President, I enter a motion to reconsider the cloture vote.

The PRESIDING OFFICER. The motion to reconsider is entered.

#### CONGRATULATIONS TO NEW REPUBLICAN LEADERS

Mr. REID. Mr. President, I have a unanimous consent request I am going to enter in just a minute, but I would like to say that I extend my congratulations to LAMAR ALEXANDER in his recent victory to be part of the Republican leadership. I respect and admire him. He will do a wonderful job.

I also extend my appreciation to Mr. JON KYL, a Senator from Arizona, a neighboring State of Nevada's, who is going to replace TRENT LOTT. I have expressed to Senator KYL personally—I haven't had that opportunity with Senator ALEXANDER because we didn't know how that vote would turn out, but I expressed to Senator KYL my admiration and respect for him. I know he will do a good job for the State of

Arizona, the country, and the Senate, and I look forward to working with both of them.

As we often do on the Senate floor, as Senator KYL knows—before coming here he was a distinguished lawyer, and I spent a lot of time in the courtroom myself—it is totally appropriate that we on the Senate floor advocate for our constituency, for our party, and for individual Senators in the best way we know how. But it is also very important that we maintain cordial relationships.

As we learned in our court experiences, no matter how difficult the case might be, no matter how tense it might be arguing to a jury or to a judge, when that courtroom is adjourned, the attorneys walk out, shake hands, go have a sandwich, have a drink, and go on and prepare for the next case. And that is what I say to my friends, LAMAR ALEXANDER and JON KYL. We are going to have some debates on the Senate floor. That is what the Senate is all about. Some say it is the greatest debating organization in the history of the world. I don't know whether that is the case, but I have been involved in a few debates and a few tense times on the floor, but I always try—and I haven't always been totally successful at this—to put my emotions aside and walk off the Senate floor and try to be friends with those I was advocating against.

So I say to these two fine Senators from the States of Tennessee and Arizona, I wish them the very best in their new duties.

#### UNANIMOUS-CONSENT REQUEST—H.R. 3996

Mr. REID. Mr. President, I ask unanimous consent that the Senate now proceed to consideration of the House AMT bill, H.R. 3996; that all after the enacting clause be stricken, and the text of Senator BAUCUS's amendment, No. 3804, providing for a 1-year unpaid patch for AMT extension be substituted in lieu thereof; the bill be read a third time and passed and the motion to reconsider be laid upon the table.

So for everyone here, Mr. President, in nonlegal words, what I have asked for is that we proceed in spite of how I would rather we do this, that we proceed to vote for AMT, a 1-year patch that is not paid for. I have already given a speech prior to the vote on the motion to invoke cloture how wrong I think this is, but I also understand how important it is we have the patch. This patch would affect people who make from \$75,000 to \$500,000 a year, the average tax of some \$2,000. This tax was not meant to cover those people and, therefore, we should do the patch. I would rather it were paid for.

So I am asking unanimous consent that we be allowed to vote on this by simply accepting this. There wouldn't need to be a vote; no debate. If we get no objections to this, then the AMT would be patched for 1 year, and we would send it on to the House for their concurrence.