

peril. These are not signs of a well-laid plan. It is time for a profound change.

This is what we are trying to do here today. We are saying it is time to start making plans to redeploy our troops so they can focus on the wider struggle against terrorism, win the war in Afghanistan, strengthen our position in the Middle East, and pressure the Iraqis to reach a political settlement. Even if this effort falls short, we will continue to try to accomplish what the American people asked for last November.

I am glad to see, though, that this new effort is gaining consensus. I commend Senator REID for his efforts. He took the time to listen to so many of us from both Chambers of Congress to help develop this plan.

The decision in particular to again begin a phased redeployment, with the goal of redeploying all our combat forces by March 30, 2008, is the right step. It is a measure the Iraq Study Group spoke of, an idea I borrowed from them, an idea that, in a bill I introduced, now has more than 60 cosponsors from the House and Senate and from both sides of the aisle. They have supported this plan since I announced a similar plan in January.

The decision to allow some U.S. forces to remain in Iraq with a clear mission to protect U.S. and coalition personnel, conduct counterterrorism operations, and to train and equip Iraqi forces is a smart decision. President al-Maliki spoke at a conference and warned that the violence in Iraq could spread throughout the region if it goes unchecked. By maintaining a strong presence in Iraq and the Middle East, as both my bill and the leadership bill does, we can ensure that the chaos does not spread.

I should also add that the decision to begin this phased redeployment within 120 days is a practical one. Our military options have been exhausted. It is time to seek a political solution to this war, and with this decision we send a clear signal to the parties involved that they need to arrive at an accommodation.

While I strongly believe this war never should have been authorized, I believe we must be as careful in ending the war as we were careless getting in. While I prefer my approach as reflected in my bill, I believe this resolution does begin to point U.S. policy and Iraq in the right direction. An end to the war and achieving a political solution to Iraq's civil war will not happen unless we demand it. Peace with stability does not just happen because we wish for it.

It comes when we never give in and never give up and never tire of working toward a life on Earth worthy of our human dignity. The decisions that have been made have led us to this crossroad, in a moment of great peril.

We have a choice. We can continue down the road that has weakened our credibility and damaged our strategic interests in the region or we can turn

toward the future. The road will not be smooth. I have to say there will be risks with any approach, but this approach is our last best hope to end this war so we can begin to bring our troops home and begin the hard work of securing our country and our world from the threats we face.

The President has said he will continue down the road toward more troops and more of the same failed policies. The President sought and won authorization from Congress to wage this war from the start. But he is now dismissing and ignoring the will of the American people who are tired of years of watching the human and financial tolls mount.

The news from Iraq is very bad, but it can change if we in this Chamber say "enough." Let this day be the day we begin the painful and difficult work of moving from the crossroad. Let this day be the day we begin pulling toward the future with a responsible conclusion to this painful chapter in our Nation's history. Let this be the day when we finally send a message that is so clear and so emphatic that it cannot be ignored.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Iowa.

#### TAX GAP

Mr. GRASSLEY. Mr. President, the subject today is the tax gap. The tax gap is the difference between what is paid voluntarily in taxes by 85 percent of the American people and what is actually owed by people who do not pay all of the taxes that are legally owed.

The tax gap does not include things that are in the underground economy, nor does it include illegal earnings. The tax gap is certainly not a new issue. We have discussed it on the floor of the Senate many times. It has been an issue for previous administrations as well as this administration. In fact, I suspect the tax gap has been an issue for as long as there has been taxes. However, I would say in recent years the Finance Committee, on which I serve, has certainly brought a new focus to the issue of the tax gap. This has been very much a bipartisan effort. I believe the level of attention given to the tax gap certainly reflects the energy and focus of the new chairman of the committee, Senator MAX BAUCUS from Montana. Chairman BAUCUS should be commended for his work in this area.

I also want to praise the chairman of the Budget Committee, Senator CONRAD of North Dakota, for putting an additional spotlight on the tax gap topic. The Finance Committee has been doing the hard work in this area, encouraging greater research by the Internal Revenue Service, asking for detailed reports and recommendations from the Treasury Department as well as the Congressional Joint Committee on Taxation, investigating specific aspects of the tax gap, holding hearings to explore the details of the tax gap.

Finally, the Finance Committee has been doing the most difficult work of all, actually passing significant legislation that would reduce the money that is not coming in because of the tax gap. This has not been easy. I find the tax gap is one of those issues here in Congress that is a little bit like the weather: Everyone talks about it but no one is doing as much as should be done about it. But the way people talk around here, they view the tax gap as somehow a cure-all for all budget problems. The tax gap can be used to pay for the alternative minimum tax problem; if we want to expand spending on health care, tap into the tax gap; if we want to balance the budget, tap into the tax gap.

Given the amount of faith people have put into it, the tax gap has suddenly become one of those magic elixirs the peddlers used to sell in the Old West. You know how they said it will cure all that ails you. That was the slogan used by those slick salesmen 100 years ago. So the tax gap has become the elixir for all fiscal problems. I am surprised folks do not think the tax gap would cure baldness, as an example. So let's get behind the dreams and get to the real story of the tax gap.

I want to talk about three issues dealing with the tax gap. First, what is the estimate of the tax gap? Second, what are the elements of the tax gap? Finally, what do we actually do in addition to all of those things we have been doing to reduce the tax gap; in other words, to go after that final dollar we know is legally owed but not collected.

First, how is it the tax gap is estimated, and what is it? The Senate Finance Committee's Subcommittee on Taxation and Internal Revenue Service Oversight held a hearing 9 months ago, July 2006. It was chaired by the then-chairman of that subcommittee, Senator KYL. We heard extensive testimony from senior IRS officials about how the tax gap is estimated. The tax gap has been based on reporting compliance efforts known as the Taxpayer Compliance Measurement Program.

As many colleague will recall, these efforts were viewed as too intrusive into the lives of the taxpayers. So the last taxpayer compliance measurement program that was done was back in 1988. Senator BAUCUS and I recognized the need for the updated research and encouraged the Internal Revenue Service to look at research that could provide useful data, useful information, without unduly burdening the honest taxpayer.

The Internal Revenue Service then responded with a national research program. It is important to realize that the national research program only dealt with a portion of the entire tax gap, primarily focusing on individual income taxes and not dealing with corporate tax. There are still significant portions of the tax gap that are then based on that very old material going

back to some studies 20 years ago, particularly in the area of passthrough entities.

I have a chart here that will make reference to some of these portions, significant portions of the tax gap. This is easily brought to focus on the Internal Revenue chart we have here. Remember, this is for tax year 2001, the latest available information. You can see it is only those items in bold that have been updated from the recent national research program, primarily in the area of individual income taxes and self-employment taxes; these areas right here.

It would be nice to have an update on all of this. But in order to get on top of it and get it done quickly, we asked the IRS to focus on these areas. With the colors, you can see it is only the green—underpayment of taxes—that we have high confidence in. The light blue has been recently updated. We have some better sense of what the costs are.

Unfortunately, it is the yellow—the bigger parts of the chart—that is dependent upon the older numbers sometimes going back years and years. That is the yellow portion I have already referred to.

In terms many can better understand, think of the yellow estimates as being the broad side of the barn in terms of accuracy. So there we have it. At the end of the day the tax gap, based on many old estimates, is thought to be \$345 billion for tax year 2001. That reflects a noncompliance rate of 16 percent. So basically, 84 percent of the tax dollars are coming in as required by law. We have a tax gap then of a remaining 16 percent.

Now I will turn to what are the elements of the tax gap. Again the chart from the Internal Revenue Service provides a useful blueprint. Nonfiling is about \$27 billion. These are the people who do not even file their taxes. Then there is the underreporting of \$285 billion. The Internal Revenue Service divides that into four categories: individual taxes at \$197 billion; employment taxes, \$54 billion; corporate income taxes at \$30 billion; and estate tax and excise taxes of \$4 billion.

Underpayment of taxes, which is the amount people admit they owe on their tax returns but do not pay on time, happens to be \$33 billion.

Clearly individuals make up the biggest part, with individuals underreporting nonbusiness income and business income, and overstating adjustments, deductions, and exemptions being the elements of the tax gap for individuals. A good deal of this is concentrated in the areas of self-employment and schedule C of the tax return.

Now that we have gone through how we measure the tax gap and what makes up the tax gap, the most important thing people want to know is—they do not want a definition of the problem—what can be done to close it? That is what my constituents ask me.

I believe the real question is one I would state this way: What steps can

be taken that are effective and will not unduly burden taxpayers? We have to bear in mind most taxpayers do comply, and a significant amount of noncompliance is unintentional. I think all Members recognize that in the zeal to get at the tax gap, we cannot wreck the lives of the honest taxpayers. Most of the taxpayers, 85 percent, are not a problem. We cannot be like the fellow who tears down his house to get at the mouse. Members on the other side should be particularly sensitive to the mindset of not taking on the honest taxpayer when trying to take care of the problem of the 15 percent, given this was effectively what was being promoted in 1994 with the wholesale reform of health care. Proponents in 1994 wanted to change the health care system for 85 percent of the people for whom the system worked to help the 15 percent of the people who did not have health insurance. The voters were right in telling political leaders at that time in 1994 that this did not make any sense. First we need to recognize that the Internal Revenue Service is already, through enforcement, doing quite a bit to deal with the tax gap.

This chart reflects the Internal Revenue Service's testimony before the Budget Committee and estimates the IRS activities will reduce the tax gap, the \$345 billion total, by nearly \$70 billion by the year 2007. This reflects \$17 billion in direct enforcement revenue and the rest in direct compliance effects. So we start with that as the base, the work of the Internal Revenue Service, which is already reducing approximately 20 percent of the tax gap, with Commissioner Everson's statements last year that the Internal Revenue Service could bring in somewhere between \$50 billion and \$100 billion a year without dramatically changing the relationship between the IRS and taxpayers; in other words, not being more egregious against the honest taxpayer. Well, the IRS is already doing that, according to its Commissioner.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. GRASSLEY. Mr. President, I have to have 10 more minutes, maybe less than that.

The ACTING PRESIDENT pro tempore. The Senator will have to propose a unanimous-consent request to that effect.

Ms. COLLINS. Mr. President, I think we have votes that are scheduled at 11:45.

The ACTING PRESIDENT pro tempore. That is correct.

Ms. COLLINS. Perhaps the Presiding Officer could review—

Mr. GRASSLEY. Mr. President, I will complete my statement later, but I wish people would get it straight. If I were told I could come over here and finish my statement, and do it in morning business, I would like to be able to do it; otherwise, I would have waited to do it tonight.

## CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Morning business is closed.

## IMPROVING AMERICA'S SECURITY ACT OF 2007

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of S. 4, which the clerk will report.

The legislative clerk read as follows:

A bill (S. 4) to make the United States more secure by implementing unfinished recommendations of the 9/11 Commission to fight the war on terror more effectively, to improve homeland security, and for other purposes.

Pending:

Reid amendment No. 275, in the nature of a substitute.

Landrieu amendment No. 321 (to amendment No. 275), to require the Secretary of Homeland Security to include levees in the list of critical infrastructure sectors.

Schumer/Clinton amendment No. 336 (to amendment No. 275), to prohibit the use of the peer review process in determining the allocation of funds among metropolitan areas applying for grants under the Urban Area Security Initiative.

Coburn amendment No. 325 (to amendment No. 275), to ensure the fiscal integrity of grants awarded by the Department of Homeland Security.

Coburn amendment No. 294 (to amendment No. 275), to provide that the provisions of the act shall cease to have any force or effect on and after December 31, 2012, to ensure congressional review and oversight of the act.

Kyl modified amendment No. 357 (to amendment No. 275), to amend the data-mining technology reporting requirement to avoid revealing existing patents, trade secrets, and confidential business processes, and to adopt a narrower definition of data-mining in order to exclude routine computer searches.

Biden amendment No. 383 (to amendment No. 275), to require the Secretary of Homeland Security to develop regulations regarding the transportation of high-hazard materials.

Schumer modified amendment No. 367 (to amendment No. 275), to require the Administrator of the Transportation Security Administration to establish and implement a program to provide additional safety measures for vehicles that carry high-hazardous materials.

Stevens amendment No. 299 (to amendment No. 275), to authorize NTIA to borrow against anticipated receipts of the Digital Television Transition and Public Safety Fund to initiate migration to a national IP-enabled emergency network capable of receiving and responding to all citizen-activated emergency communications.

Schumer/Clinton amendment No. 337 (to amendment No. 275), to provide for the use of funds in any grant under the Homeland Security Grant Program for personnel costs.

Bond/Rockefeller amendment No. 389 (to amendment No. 275), to provide the sense of the Senate that the Committee on Homeland Security and Governmental Affairs and the Select Committee on Intelligence of the Senate should submit a report on the recommendations of the 9/11 Commission with respect to intelligence reform and congressional intelligence oversight reform.

AMENDMENTS NOS. 294 AND 325

The ACTING PRESIDENT pro tempore. Under the previous order, the