

Over the past 2 weeks, Republicans have discussed the spending side of the budget and some of the massive new taxes the budget calls for on energy use and on small businesses. Today, I wish to briefly discuss another element of the tax plan, and that is the proposal to limit the benefit taxpayers receive for making charitable donations to nonprofits and charitable organizations.

Let's be clear about something from the outset. This is not something only Republicans oppose. This proposal has been met with wide bipartisan opposition in Congress and widespread criticism from the many thousands of organizations that would be adversely affected by it. With a challenged economy already causing endowments at colleges and universities, charities, museums, and other nonprofits to shrivel up, the last thing America's nonprofit organizations expected was for the administration to introduce yet another disincentive to charitable giving, and many of them, including many of them from the opposite ends of the political spectrum, are uniting in strong opposition to the administration's proposal. One reason: According to a February survey in the *Chronicle of Higher Education*, college and university endowments lost more than 20 percent of their value in a recent 5-month period, largely as a result of the plunging stock market. The administration's proposal is a bad one, frankly, at any time, but now is the worst time of all.

Earlier this week, I received a letter on this very proposal from the president of Western Kentucky University in Bowling Green. He said the university has worked hard over the past year to increase its support from charitable gifts and that they have had a lot of success doing that. He also noted that WKU is in the middle of a major annual fundraising campaign to increase opportunities for students and that 95 percent of the total will come from the generosity of fewer than 500 donors.

The message was clear: The importance of major gifts to Western Kentucky University and to thousands of other colleges and universities across the country is impossible to overstate, and disincentivizing those gifts would strike a serious blow to every one of these institutions—every single one of them.

There is another important aspect of this issue, and it is one President Ransdell at WKU pointed out in his letter. Americans are known the world over for their generosity. That generosity was encouraged by the creation of the charitable gift deduction in the early part of the last century, and that deduction is one of the reasons that last year Americans gave more than \$300 billion to charitable causes—that was back in 2007—and roughly 75 percent of those donations—or \$229 billion—came from individuals. I will say that again: 75 percent of the \$300 billion given to charitable causes in 2007,

which is \$229 billion, came from individuals. One of the things Americans are most proud of is that no other industrialized nation in the world gives more to charity than the United States. It is not even close. As a share of our GDP, Americans give more than twice as much as Britain and 10 times more than France. Seven out of ten American households donate to charities, supporting a wide range of religious, educational, cultural, health care, and environmental goals. This is something to be proud of. It is uniquely American. It is not something we want to discourage.

So Americans from all walks of life and both political parties are worried about this proposal. They don't understand why charitable organizations and the people they serve should suffer in order to pay for new or expanded Government programs. According to one study, this proposal could lead to \$9 billion less in charitable giving each year. That is less money for places such as Western Kentucky University, the Juvenile Diabetes Foundation, hospitals, churches, food pantries, and countless other causes that are quite worthy of our support. These organizations are hurting enough. The administration doesn't need to hit them up for more tax revenue while they are down, and it doesn't need to blunt one of the things Americans are most proud of; that is, of course, our generosity.

The following quote attributed to President Kennedy sums up the way most Americans feel about this issue, and it captures my own sentiments as well. This is what he had to say:

The raising of extraordinarily large sums of money, given voluntarily and freely by millions of our fellow Americans, is a unique American tradition . . . Philanthropy, charity, giving voluntarily and freely . . . call it what you like, but it is truly a jewel of an American tradition.

Charities provide a valuable public service to society's most vulnerable citizens. Now more than ever, these organizations need our help. This plan to disincentivize charitable giving is absolutely wrong. Many of us on both sides of the aisle will be working hard to make sure it doesn't become law. Congress should preserve the full deduction for charitable donations and actually look for additional ways to encourage charitable giving, not discourage it.

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

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RESERVATION OF LEADER TIME

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

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period of morning business for up to 1 hour, with Senators permitted to speak therein for up to 10 minutes each, with the time equally divided and controlled between the two leaders, or their designees, with the majority controlling the first half and the Republicans controlling the second half.

The Senator from Washington is recognized.

(The remarks of Mrs. MURRAY pertaining to the introduction of S. 638 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mrs. MURRAY. I yield the floor, and I reserve the remainder of the time on our side.

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

THE BUDGET

Mr. ENZI. Mr. President, this morning I want to address the budget a little bit, and to all Americans, I want to be clear: I want to work with the President to get our economy back on track. I want to fix housing, reform the financial markets, and help every citizen get access to high-quality, affordable health care. I want our President to succeed in leading our Nation out of this economic crisis.

But I draw the line with President Obama's idea of raising taxes. He may think it is a great idea to raise taxes in the midst of a recession, but I surely don't. The President's proposed tax increase is a whopper—\$1.4 trillion in new taxes, which is equal to the annual economic output of all of Spain.

Despite the White House rhetoric, these taxes will hit all Americans. No one is spared. This budget raises taxes on energy. If you drive a car or heat your home, your taxes are going to go up.

This budget raises taxes on small business. More than half of small businesses that employ between 20 and 500 employees—that is the Federal definition of "small business," 20 and 500 employees—will see their tax bills rise and jobs eliminated.

This budget raises taxes on senior citizens who are dependent on dividend and capital gains income for retirement income.

This budget raises taxes on charitable contributions. Just the announcement that it will happen, we have already seen decreasing charitable contributions. Of course, a lot of those charitable contributions are ones that come from these small business employers who have single proprietorships or small business corporations where they have to pay their taxes right away, even though they have to put all that money back into the company. I will talk about that later.

This budget reinstates the death tax, making it harder to keep the family farm, the family ranch, or the family business in the family.

This budget simply taxes too much. I heard lots of complaints from Wyoming ranchers about the President's tax increase. Many of our ranches and farms are structured as S corporations or limited liability corporations, and this tax hike would hurt them.

The President will say his proposal to let some 2001 tax cuts expire will affect only 3 percent of all taxpayers, but this statistic obscures the fact that these taxpayers employ the most number of workers and generate the most economic activity of all small business entities.

According to a 2007 Treasury Department report, over 30 percent of all business income comes from passthrough entities, such as S corporations, partnerships, and limited liability companies. That means it goes right back in to take care of the business.

Last weekend, I was in Wyoming. I visited Sanford's restaurant in Gillette, WY. They started with one restaurant and now they have eight different locations. At the location I went to, one of the owners happened to be there. He said proudly, and he should: We started this business on \$2,000. Now we have eight stores, and we still only have \$2,000. That is because everything has been plowed back into the business, which results in more jobs for more people.

That is what we are talking about. We want this economy to grow. Small businesses are the ones making this grow. It is the guys and women with an idea they can take their last \$2,000 and put it into something productive and they can grow it. The problem is, when they grow it, they pay the taxes on it immediately. They pay the taxes as though it actually flowed into their pocket. But it doesn't. As a result, some of these people who have been successful who are creating all these jobs make more than \$250,000 a year. They don't get to keep it. That is the important part. They don't get to keep it. They have to pay taxes on it right away. That puts them into this new higher tax bracket.

It is going to have a devastating effect. Suddenly, the house they own—they are not going to have the same kind of house deduction, as if they didn't have a business at all.

Charitable contributions—it is the small businesses that keep the towns going. It isn't the big corporations that buy the ads in the yearbooks. It isn't the big corporations that make a donation when somebody comes around because there has been a fire. It is those little businesses that want to grow. They are growing, but they have to put everything they have back into it. I know small businessmen who have been able to pay everybody who works for them but not themselves.

We are not talking about the big corporations with the big bonuses. We are

talking about the little corporations that are family. By "family" I mean every employee who works for them understands how difficult the business is, how close to not succeeding the business is, and because they want their job, they help the business to succeed. As a result, they are included in "the family." All of those people are going to suffer.

Because 30 percent of all business income that comes through these passthrough entities, such as S corporations, partnerships, and limited liability companies, these small businesses that are hiring people—they are hiring people; they are not laying them off. The unemployment would be tremendously higher if it were not for this 30 percent of all business income that gets passed through and back into the business.

Over 70 percent of that income is concentrated in the top two marginal income-tax rates. They pay the highest rate we have because they did business and because the business is making money. But it isn't money they get to put in their pockets; it is money they put back into the business. So nearly a quarter of all business income would be subject to higher taxes under this budget.

Let me repeat that. Nearly a quarter of all business income would be subject to these higher taxes under this budget. According to a 2007 survey completed by Gallup for the National Federation of Independent Businesses, 50 percent of all businesses that employ between 20 and 499 workers will face higher taxes if the 2001 rate reduction in the top two rates is allowed to expire. Fifty percent of all businesses that employ between 20 and 499 workers will face higher taxes if we do not change that, if we allow it to expire. And the plan, according to the budget, is to let it expire, to shove these taxes off on these small businesses, the ones that are still doing well, the ones that have not succumb to the greed, the ones that have been doing the right thing, particularly with their community. Raising taxes on our Nation's job creation engine at any point in the business cycle is just bad economic policy.

The key to our Nation's economic growth and our ability to recover from a crisis such as this one is the flexibility and the vibrancy of our non-corporate sector. Small business is the incubator for entrepreneurship, and we should protect it and nurture it, not tax it.

For example, many in the companies that fueled the economic growth of the 1990s and beyond started as passthrough entities: For example Yahoo and Microsoft, just to mention a few that the President mentioned earlier in the week when he was talking about the importance of helping out small business and said all the right things about small business.

I am encouraged by what he said. I am encouraged by the differences he is

going to make in the way the Small Business Administration works. But it is going to come back again in the way of higher taxes for those same people. We need to encourage, not discourage, those people.

When I was in Wyoming, I had a procurement conference. That is where the Federal Government comes to Wyoming and talks to my businessmen to see if small business can't provide for some of the Government contracts. Every year it is a huge success. People from all over the Nation, not just Wyoming, are able to take advantage of that sort of thing.

At that conference, a guy in Montana was talking about the need for some liquidity so he could get a loan—a loan, not a bailout—a loan so he could grow his business. As we learned at the White House summit on Monday, the banks do not have a secondary market for their loans. That means when they make the loan, they cannot turn around and sell the loan to free up the capital to make another loan. When that happens, these small businesses cannot get loans, and a lot of them need short-term credit.

You have to order your inventory a year ahead of time often. When it gets there, you have to pay for it, and then you sell it. A lot of them need just a kind of cashflow loan, one that will pull them through that time when all the inventory hits and gets paid off and the time the inventory gets sold.

A guy in Montana talked to a guy in Wyoming who talked to me and proposed several different ways that I have passed on to the White House and to Secretary Geithner that money could be freed up for these businesses to grow. I am encouraged and hope that will happen. I hope it is not reversed by these new taxes.

I will fight to preserve low taxes for our Nation's small business, and I am prepared to offer an amendment to any legislation that attempts to raise taxes on small business income.

I have pledged to work with the White House to fix housing, to reform our financial markets, and to help every citizen get access to high-quality, affordable health care. My question today is: Will the White House work with me to protect small business from the harmful effects of this budget's tax increase?

This budget taxes too much, spends too much, and borrows too much.

I yield the floor.

The PRESIDING OFFICER (Mr. PRYOR). The Senator from Tennessee.

Mr. ALEXANDER. Mr. President, I ask the Chair to let me know when 9 minutes has elapsed.

The PRESIDING OFFICER. The Chair will so notify the Senator.

IT'S THE ECONOMY

Mr. ALEXANDER. Mr. President, we have an impressive new President of the United States. He has proven without a shadow of a doubt that he is capable of doing many things at once.