

This is no small tax hike. The tax hike the administration is proposing, according to the IRS, would apply to half of all small business income in this country. An analysis by the National Federation of Independent Business shows that businesses that employ 20 to 250 people would be the hardest hit. All told, according to the non-partisan Joint Committee on Taxation, right at 750,000 small businesses would be impacted by this tax increase.

Here is the bottom line: No recovery will take place until the government stops overspending. No recovery will take place until government stops imposing new regulations and costs on business. No recovery will take place if we impose new taxes on the people we need to create jobs. Democratic leaders need to listen to what the American people have been shouting at us for the last 19 months: The reckless spending has to stop. So far, they have made no concrete concessions, but now it is time they join Republicans, stand up to the administration, and declare that the spending spree is over. That is the first step on the road to recovery.

As for the next step, Republicans stood together before the August recess and put together a plan that would save taxpayers \$300 billion over the next 10 years. That is a good place to start.

So Democrats have a choice. They can stand with us on this proposal and show they finally realize we cannot spend our way out of the recession or they can continue to stand with an administration whose policies—real and threatened—represent the greatest obstacle to our Nation's economic recovery.

Let's face it. The Democratic agenda has been disastrous for the economy: 2½ million jobs lost, \$2.5 trillion more in debt, more job-stifling regulations, mandates, and redtape, and now they want to drive another nail in the coffin—a massive tax hike on the very people who will dig us out of this recession by expanding their businesses and creating jobs.

Republicans are offering a choice: more of the same or the new direction the American people are asking for.

I yield the floor.

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 until 3:30 p.m., with Senators permitted to speak therein for up to 10 minutes each.

The Senator from Pennsylvania is recognized.

(The remarks of Mr. SPECTER and Mr. DURBIN pertaining to the introduction of S. 3766 are located in today's RECORD

under "Statements on Introduced Bills and Joint Resolutions.")

REPUBLICAN GOALS

Mr. DURBIN. Mr. President, I listened carefully when the Republican leader from Kentucky, Senator McCONNELL, came to the floor. This is the key time, before an election campaign, when parties announce their goals, their strategy, their message to the voters.

So I listened carefully as the Republican Senate leader came to the floor for the first time in this 3-week period, to spell out what his goals would be in terms of where the country has been coming from and where it will go. It struck me as strange. Because, at this time of year, we are used to new shows coming on television, new seasons beginning, being introduced to new plot lines and new stars and new ideas and broadcasts, but we do not expect reruns. To get reruns being announced on television at this time of year would be defeating the purpose of attracting an audience interested in what is new.

I listened to Senator McCONNELL's speech, and it was a Republican rerun, things they have been saying for the last year and a half, in fact for many years, still the message of the Republican Party. What they say and what Senator McCONNELL said today is: Elect us to lead the Senate and we will give you more of the same. We will return you to the Bush economic policies.

I listened carefully as he criticized President Obama. I have heard him before. Senator McCONNELL has come to the floor and criticized President Obama for intervening to try to save the automobile companies across the United States. Many of us supported the President. I think the President was right. He did not run for office to become a major leader in saving American automobile companies.

This was a challenge thrust on him. Yet he accepted it and realized if we started closing down automobile plants across Illinois and across America, thousands of people would be out of work. He did not want to see that happen. So the government did intervene.

I have heard the Senator from Kentucky come to the floor before, as he did this afternoon, and criticize the President for his intervention in the automobile companies. Well, during the course of our August break, many of us were busy doing a lot of things. It is possible that Senator McCONNELL missed the good news, the good news in the New York Times on Friday August 13 and Saturday August 14.

On Friday, August 13, headline: "Profit Strong, G.M. Names a New Chief." Then, on August 14: "Detroit Goes From Gloom to Economic Bright Spot. Optimism is Rising With Sales, Profits and Hiring—Economy Still a Threat."

Here is what the article said:

After a dismal period of huge losses and deep cuts that culminated in the Obama ad-

ministration's bailout of General Motors and Chrysler, the gloom over the American auto industry is starting to lift. Jobs are growing. Factory workers are anticipating their first healthy profit-sharing check in years. Sales are rebounding, with the Commerce Department reporting Friday that automobiles were a bright spot in July's mostly disappointing retail sales.

The Senator from Kentucky must have missed it. The very action he criticized, of the Obama administration intervening with the automobile companies, has been a success. Mr. Whitacre is stepping aside. GM is picking its own chief. They are off on their own now, in a profitable way, to keep jobs in the United States and not ship them overseas. All the criticism of what President Obama did notwithstanding, this worked. This was a success. This saved jobs.

But, again, the litany of grievances from the Republican side included that the President did something to help GM and Chrysler. Thank goodness he did for the thousands of workers in my home State of Illinois and across the United States of America.

I heard the Senator from Kentucky criticize the President's attempt to reduce the cost of health insurance for Americans; the President's attempt to give senior citizens on Medicare a helping hand to pay for their prescription drugs. I wish the Senator from Kentucky could have been with me in Champaign, IL, when I met with a group of senior citizens who thanked us for the \$250 of relief this year, which will grow every year, until we fill the doughnut hole in prescription Part D.

I wish the Senator from Kentucky could have been with me as I traveled around Illinois and had mothers come up to me and talk about 22-year-old sons with preexisting conditions who did not qualify for health insurance and thank me because the health care reform bill now says that son or daughter can stay under the family health insurance plan until they reach the age of 26.

If Senator McCONNELL and others believe we should repeal this, that we should take away this protection for families on health insurance—\$250 to help those under Medicare prescription Part D—or the strength that people will now have to fight off insurance companies that deny them coverage when they need it the most, if that is his position, so be it.

But it is not a new idea. It is a speech he has delivered on the floor over and over and over. So the Republican message for November is: Go back to the old days when you did not have a fighting chance against health insurance companies, when nobody would stand up to them. Go back to the old days when we would not put any money into the recession that is threatening our country.

The President did with the stimulus package, which is being ridiculed with some dance lessons or whatever he said. I wish Senator McCONNELL would have come to see this President's stimulus package at work in Illinois. It

takes a lot longer to drive because we are building highways right and left and airports.

Downtown Normal, IL, has an intermodal center that is the centerpiece of revitalizing downtown; major contribution from the President's stimulus package, putting hundreds of people to work smack-dab in central Illinois, where those jobs count.

I heard the minority leader, the Senator from Kentucky, criticize the Wall Street reform bill. He criticized the Wall Street reform bill, after Bernie Madoff and the bailouts of the Bush Administration, after billions of dollars sent to Wall Street because of their failures, and they thanked us, sent us a little thank-you card and said: Oh, incidentally, we are giving one another bonuses with your bailout money.

Well, for some that was fine but not for President Obama, not for this Congress. We have real Wall Street reform, which will guarantee no more bailouts. That was Senator BOXER's amendment. No. 2, make certain Wall Street is regulated so it does not sink us in another recession, the way we are languishing now in one that is going to take a long time from which to recover.

The Senator from Kentucky believes that was a bad idea. He voted against it. I think it was a good idea to pass Wall Street reform. The final centerpiece of the Republican message for November is to return to the Bush tax cuts. President Obama has said, we should extend the tax cuts for married couples making under \$250,000 and for individuals making under \$200,000 but, he said: Let's not give them to the wealthiest Americans, the top 2 percent.

So if you happen to be among the fortunate few in America who make \$1 million a year, what is the difference? Well, the difference is this: Under our plan of capping this tax cut at \$250,000, the millionaire is only going to get \$6,300 in a tax cut. I do not know if they will even notice it, \$6,300.

But under Senator McCONNELL's plan, the centerpiece of the Republican campaign strategy for November, he wants the millionaire to receive a \$100,000 tax cut, a tax cut most have not asked for and many do not need. They do it in the name of helping small business.

Do you know how many small business owners are in that category? Three percent. It includes some doctors, some lawyers, and the like. So what we are saying is, let us do something to put money in the economy, tax cuts for those with \$250,000 or less in income, let us help the middle class people in America who have been struggling with an economy that has not been very generous to them over the past decade or two.

Third, let's not ignore the deficit. Senator McCONNELL's proposal for tax cuts for people making the highest levels of income in America will add \$700 billion to the deficit over the next 10

years, \$700 billion. So for the so-called deficit hawks on the other side, those hawks are circling, but they are blind to the fact that tax cuts to the wealthiest people in America plunges us more deeply into debt and makes it more difficult for future generations that will face this responsibility.

So I listened carefully as the Senator from Kentucky spelled out the Republican plan. We have heard this song before. We have seen this play. We watched all these reruns before. We do not need to see them again. We need to move forward as a nation. The first thing we have to do tomorrow is break the Republican filibuster on the small business bill, this bill supported by the Chamber of Commerce, by the National Federation of Independent Business, and small businesses across America. Tomorrow, with the help of at least one Republican Senator, we are finally going to break this Republican filibuster and we are going to finally send the credit that is needed to Main Street in America so small businesses have a fighting chance to put new people on their payroll and help bring us out of this recession. That is looking forward, not backward.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Arizona.

TAX INCREASES

Mr. KYL. Mr. President, I wish to also talk a bit today about why Republicans oppose raising taxes on anyone. President Obama and his supporters have repeatedly argued that tax increases will only affect a few of the wealthiest Americans, "millionaires," the President claims, and people "who can afford it," to use his words.

First of all, I do not think the President should be pitting Americans against each other. Class warfare has no place in our debates. Americans agree with President Kennedy's formulation that a rising tide lifts all boats. Americans believe—it is our basic idea of a country—that we want everyone here to succeed, to do well, and not to pit one group of us against another group.

We all aspire to be in the very top groups of whatever we are talking about, and because of the kind of country we have, we have that opportunity, and people do move from one income tax bracket up to the next one, for example, as we increase our incomes. So we do not want to punish anyone for being successful. That class warfare went out of style when the Cold War ended. I do not think it has a part in our debate.

Second, his assertions about who will pay are patently false. Small business will be among the hardest hit by these tax increases. Let me explain why this is true because, as you have just heard, some on the other side tend to pooh-pooh this idea. The reason is this. Under the Internal Revenue Code, many small businesses are organized as

passthrough entities, meaning they pay taxes at the individual income tax marginal rates. So if you and your wife or you and your husband own a small business, and you are a passthrough entity, you pay your small business income taxes as individuals. That is how this happens. You are not a corporation, you are paying your taxes as people, as individuals, the same as anybody else pays as an individual.

Those who currently pay at either the 33 or 35 percent rate, which is the top two marginal rates, would, under the President's proposal, have their taxes increased so you would then be paying 36 or 39.9 percent, respectively, and if you add in the health care legislation-required taxes, it is closer to 42 percent. So you are going from 35 to 42 percent as an individual paying individual income taxes on the money you make through the small business you and your spouse own, for example.

My colleague from Illinois says: Well, that does not apply to very many people. How many people does it apply to? What is 3 percent of the people with this kind of income? Almost 750,000 people. Almost 750,000, according to the Joint Committee on Taxation—not my number—estimates that in 2011, next year, just about 750,000 taxpayers with net-positive business income will have marginal rates of 36 or 39.6 percent under the President's proposal.

That is 750,000 of the most productive small businesses in the country. The National Federation of Independent Business survey revealed that the businesses most likely to face a tax increase employ between 20 and 250 employees. So we are talking not about insignificant businesses but those that actually employ people. We also know that coming out of an economic downturn, the first jobs that are created are small business jobs.

According to U.S. Census numbers, businesses with between 20 and 299 workers employ more than 25 percent of the entire workforce. So when we talk about, well, it is only 3 percent. Well, the question is, 3 percent of what? How many does that actually amount to? How many of the employees in the entire country does that mean? Twenty-five percent of the employees in the country is, by any measure, a significant chunk of folks.

These are the people whom we want to raise taxes on? I do not think so. Some Democrats have been claiming these tax increases, as I said, would exempt 97 percent of small businesses. Well, let me shed a little bit of light on that number.

In a recent Wall Street Journal article entitled, "The Small Business Tax Hike and the 97 Percent Fallacy," two economists, well respected, Kevin Hassett and Alan Viard, explained that anyone who reports business income on Schedule C of their tax return is counted as a small business.

So if someone makes a little money selling a product on eBay and reports that as business income, they are counted as a small business.