

I will not be chairing additional hearings because my 30 years in the Congress will be done at the end of this month. It has been a great privilege to be here. But as one can tell, I believe passionately in this issue, about our Federal deficits, about spending, about accountability, but most especially about doing things that support the soldiers we ask to go to war.

This has been an abysmal record. In this decade, the amount of money spent on contractors—in many cases with no-bid, sole-source contracts that were negotiated under the most abusive conditions and in violation, in many cases, of rules, according to the highest civilian official in charge of contracting—has been a disgrace. This country needs to do much better.

The work I and a number of my colleagues did holding these hearings has in many ways held up a spotlight and tried to shine it on the same spot. We have cajoled, embarrassed, and pushed, and I think we have made some progress. But so much more needs to be done and can be done. My hope is this work will continue.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

EXTENDING TAX CUTS

Ms. COLLINS. Madam President, unless Congress acts, this new year will begin with the imposition of an onerous new tax burden for American families. They will face an automatic tax increase of nearly \$2.7 trillion—one of the largest tax increases in history—when the 2001 and 2003 tax laws expire.

This tax increase will hit all American earners regardless of their income level and regardless of whether they are married or single, retired or working or salaried or hourly employees.

It is my judgment that the 2001 and 2003 tax relief laws should be extended for all Americans. With the economy still weak, and with unemployment persisting at nearly 10 percent, now is not the time to be raising taxes on anyone.

Some argue that Americans in the higher tax brackets should not be protected from this tax increase. But that argument for higher taxes come January 1 ignores the fact that a tax increase on top earners is a tax increase on small businesses and, thus, a tax on jobs at a time when we should be doing everything possible to stimulate the creation of more jobs.

As you are aware, most small businesses are passthrough entities. They are sole proprietorships, partnerships or S corporations that must report their earnings on their owners' indi-

vidual tax returns. According to the Joint Committee on Taxation, there are some 750,000 passthrough small businesses in the top two tax brackets. Higher taxes hurt these small companies by taking away capital they need to grow and to add jobs.

In Maine, there are numerous small businesses that would be hurt by this tax increase. One is D&G Machine Products, a precision design machining and fabrication operation located in Westbrook, ME. Founded in 1967, this company now has more than 130 highly skilled and dedicated employees. When I visited this company in August, the owner, Duane Gushee, expressed to me his concerns about the impact higher taxes would have on his growing business. He explained that D&G competes with companies all over the world for markets and customers. Without constant innovation and investment in cutting-edge technology, D&G would lose its customers and the jobs of its employees would be in jeopardy. The tax increase that would go into effect unless we act would hit D&G on January 1 and would take money out of its bottom line—money that is needed to upgrade its equipment and stay ahead of foreign competition.

Another business that would be hit hard is Pottle's Transportation, a trucking company headquartered in Hermon, ME. This company was founded in 1972 and now has more than 200 employees with 150 trucks.

Barry Pottle, who runs this business, tells me that Pottle's needs to purchase 25 to 30 trucks every year just to maintain its fleet. New trucks used to cost the company about \$100,000. But in the past few years, the cost has escalated by another \$25,000. The tax increase scheduled for January 1 would make it difficult, if not impossible, for Barry to make these investments.

Other Maine businesses have come forward to highlight the impact a tax increase would have on their ability to grow their businesses and to add much needed jobs.

One of these is Allagash Brewing Company, a craft brewery located in Portland, ME. Founded in 1994, Allagash has grown to 28 employees and has established a reputation for uncompromising quality as one of the finest producers of Belgian-style beers in North America.

Similar to most small businesses, Allagash relies on its retained earnings to finance investment and growth. As Rob Tod, the co-owner of Allagash puts it:

There's plenty of demand for our product, but we can't fill demand without equipment, and we can't buy equipment without money.

When small businesses cannot invest and grow, they cannot add jobs, and that is what our focus needs to be on: the creation of policies that will help the private sector to create jobs.

Rob estimates that every 1 percent increase in Allagash's tax rate means one fewer worker for 5 full years. Stated another way, the tax increase slated

to occur on January 1 would wipe out jobs for five workers for 5 years just at this one brewery. If that is the impact at one small business in Portland, ME, imagine what the impact would be on jobs lost nationwide.

Other small businesses in my home State have expressed their frustration at the uncertainty Washington is creating by leaving these tax hikes hanging over their heads. As one small business starkly put it to me:

The increases in personal taxes reduce the amount of money I have available for investments of all kinds. I am not investing in my business. I am not hiring workers. I am not considering starting anything new. I am waiting. There is no way to know what Washington is about to do to me, but I expect it will be nasty and brutally unfair. In response, I am holding my ground and preparing for the worst.

That is an exact quote from an entrepreneur in my State. As if the testimony of these small businesses were not enough, there is a second reason to support extending the 2001 and 2003 tax relief for all Americans: A tax increase at this time on top earners would reduce consumer spending dramatically, cutting demand, and costing jobs at a time when our fragile economy can least afford it.

We have only to look at Peter Orszag's column in the New York Times—he was President Obama's former Budget Director—to underscore this point. He wrote that failing to extend the existing tax relief would “make an already stagnating job market worse.” He then went on to say:

Higher taxes now would crimp consumer spending, further depressing the already inadequate demand for what firms are capable of producing at full tilt.

Mr. Orszag is not alone in this view. Economist Mark Zandi has estimated that raising taxes on top earners would cost us 770,000 jobs and four-tenths of 1 percent of our GDP over the next 2 years. He cautions that earners in the top brackets are responsible for “one fourth of all [U.S.] Personal outlays,” and that a pullback in spending by these taxpayers could “derail the recovery.”

In light of this risk, Mr. Zandi has called the President's plan to raise taxes an “unnecessary gamble.” Mr. Zandi suggests that a middle ground where no one's taxes are increased until the recovery is firmly in place is where we should go.

That is essentially what I recommended to this body in September. I urged the Senate to take up legislation to extend the 2001 and 2003 tax relief for 2 more years. That is a middle ground. Surely, we ought to be able to come together and embrace that compromise. That will get us through the recession. It will send a strong signal to the business community to invest and create jobs. It would remove the uncertainty.

Here is my suggestion for what we should do during that 2-year period, since I see my colleague, Senator WYDEN, on the floor. During that time we could undertake comprehensive tax

reform to make our system fairer, simpler, and more progrowth. I know that has been a passion of Senator WYDEN's for some time. That is what we could use those 2 years to work on.

So I am once again going to ask my colleagues on both sides of the aisle—there are some on this side who want to make all the relief from the 2001, 2003 laws permanent; there are some on the other side of the aisle who want to increase taxes for the top two rates and just extend the tax relief for those making up to \$250,000—let's instead extend the tax relief for everyone right now for 2 more years, remove the uncertainty, encourage businesses to create new jobs, stop penalizing small businesses, do not put a damper on consumer spending at the worst possible time, and then let's use those 2 years productively to rewrite the Tax Code, to make it simpler, fairer, and more progrowth.

I think that is a reasonable plan. Let's abandon any approach of raising taxes at this critical time.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oregon.

TAX REFORM

Mr. WYDEN. Madam President, before she leaves the floor, let me say to the Senator from Maine that I very much appreciate her thoughtful views. She continually talks about the desire to get folks to come together. I think there are a variety of ways to do it. That is essentially what I was going to outline this afternoon. I just want to assure my good friend from Maine that I am very much looking forward to working with her on this issue and thank her again for her kind remarks.

Madam President and colleagues, I think we have a choice.

We can continue to have this debate at the margins about how to extend a thoroughly discredited, insanely complicated, job-killing system that we have today or we can find a way, as Democrats and President Reagan did back in the 1980s, to come together and put in place a reform system that will create, in my view, millions of good-paying, new jobs, the way Democrats and Republicans in the 1980s came together and created more than 16 million new jobs.

To pick up on this discussion, I think there is a message for Democrats and Republicans together on this issue.

This question of extending the 2001 and 2003 tax legislation has almost become a tax version of "The Emperor Has No Clothes." We all know this story and have read it to our kids. It's about two swindlers spinning a tall tail about magical, invisible cloth. The emperor and his ministers and all of his subjects get so caught up in the story of the magical and invisible cloth that it takes a child to point out what everybody should have seen was obvious: The emperor has no clothes.

The fact is, when we look at extending the 2001–2003 tax laws, what we will

see at the end of the day is from the standpoint of creating good-paying jobs and the opportunity to grow the economy, the emperor really doesn't have any clothes. The numbers don't add up.

When tax policy was partisan between 2001 and 2008, there was only 2.3 percent payroll expansion, 3 million new jobs, and real median income fell by 5 percent. Yet that is what we are hearing on the floor of the Senate ought to be extended.

I say to my good friend from Pennsylvania, his State, as has mine, has been pounded by this economy. How can we explain to our constituents that we are extending a policy that based on the facts, not on political rhetoric, produced such anemic payroll expansion, such a modest number of new jobs, and a loss of real median income. I don't think we can explain it to folks in Pennsylvania and Oregon.

What I do think we can explain that gets us away from this "Emperor Has No Clothes" situation is what happened in the 1980s when a big group of Democrats and Republicans came together and changed the discussion about taxes. Instead of Democrats and Republicans beating up on each other, it became the people against the special interests and, in effect, leading Democrats such as Dick Gephardt and Dan Rostenkowski and others joined with the President to point out the inequities. And we had Democrats then talking about the desire to make sure companies—companies that hire people at good wages—would be in a position to benefit because they would be paying rates that would be competitive in tough global markets.

There are opportunities—because I have been talking to folks in labor and folks in business—to do this. Why don't we take away the tax breaks for shipping jobs overseas and use that money to lower rates for folks who manufacture in the United States, who create good-paying jobs in hard-hit parts of Pennsylvania and Oregon. I would like to see our companies have a new incentive for green manufacturing which many of the companies in Oregon want to do. To do it, why not take away some of those tax breaks you get from what is called tax deferral and foreign tax credits and use that money to create more employment at home? We are not going to be able to do that if we just reup for this discredited, broken, insanely complicated tax system.

Now, I have said to colleagues—and Senator CASEY and a number of us have talked about it—that if it takes some very short-term extension of current law in order to make sure we don't hurt middle-class people and we don't hamper economic growth, I would be willing to look at it. I would be willing to look at that if we use the opportunity to then aggressively pursue bipartisan tax reform; tax reform, for example, that would do something about a Tax Code that nobody likes.

This isn't like the health care issue. I think the Presiding Officer and my

friend from Pennsylvania understand that part of what happened in the health care issue is a lot of folks said: I want to fix health care, I want to contain costs, but I sort of like the health care I have. There isn't anybody on the planet I can find who makes an argument that they like the current Tax Code.

We spend 7.6 billion hours a year to comply with tax law. It costs us almost \$200 billion to comply with our tax laws annually. That is the equivalent of 3.8 million people working full-time just to comply with the Tax Code. At one point in the tax reform discussions, after I got on the Finance Committee, I brought just a portion of the books that contain the provisions of the Tax Code. And there are thousands of pages. In fact, we add thousands of pages every few years. I am 6 feet 4 inches and just a portion of the books are taller than me. The complexity of the code increases exponentially, as Nina Olson, who is the Taxpayer Advocate at the Internal Revenue Service, has pointed out.

So I offer this up—and I know my colleague is waiting to speak—only to say if we are asking the country to choose—and that is why I use this "Emperor Has No Clothes" analogy—between something we know hasn't worked—I would note, for example, that the Wall Street Journal, not exactly hostile to conservatives, pointed out that George W. Bush had "the worst track record on record for job creation."

How do you make the case to the American people, whether you are in Pennsylvania or Oregon or anywhere else, that you want to anchor them to the same discredited tax system that has failed to create jobs for the entire period in which it was in effect?

So I hope as we get into this debate we look at the fact that perhaps we are having the wrong conversation. Perhaps we are having the wrong conversation in just debating extending the 2001–2003 tax provisions—maybe we will extend them for some people and we will not extend them for other people. What we ought to be saying is, look at history. Look at what happened in the 1980s when Democrats and Republicans came together. In fact, back then there was almost a mirror image of what we have now.

Back in the 1980s we had a Republican President and a Republican Senate, and Democrats in the House. So we have today almost a mirror image of that, and we know when they got together in the 1980s that it created millions of new jobs, millions of good-paying jobs. I think we can do that again.

I want to spend 2011 working with my colleagues—the Senator from Pennsylvania, the Senator from New Hampshire, and Senator COLLINS, who gave a very eloquent statement on the advantages of real tax reform—I want to spend the next year working with colleagues on something that shows vastly more promise for creating more