

tremendously high unemployment rate that we have right now, put Americans back to work, and help our families ironically, by getting healthier economically, making more money, and producing more revenue for the Federal Government to tax under our existing taxes. So if we want economic growth, improvement in the economy, the last thing we should be doing when our economy is ailing now is imposing a higher tax burden on it.

Why the President is so obsessed with this, I do not know. But I will tell you one thing: Republicans will resist these job-killing tax increases, not because we are trying to protect somebody—except the American people—but because we know that it is bad for our economy, for our families, for our businesses, and for job creation.

I ask unanimous consent that the Wall Street Journal editorial to which I referred be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, June 29, 2011]

**A STEALTH TAX HIKE—THE RETURN OF THE DEDUCTION PHASE-OUT GAMBIT**

The White House wants Republicans to agree to tax increases that no one wants to call tax increases, and for an insight into this political method let's focus on one proposal in particular—the phase-out of itemized deductions for upper-income taxpayers. We hope the tea party is paying attention, because this kind of maneuver is why people hate Washington.

The idea is that once taxpayers earn a certain amount of money (say, \$200,000), they would begin to lose the value of the various deductions they're entitled to under the law. These include such IRS Form 1040 line items as the personal exemption, the deductions for state taxes and charitable contributions, even those for spouses and children. Earn enough money and soon the value of those deductions goes to zero.

The political point of this exercise is to raise marginal tax rates without appearing to do so. The top statutory individual rate would remain at 35%, so the politicians could claim they hadn't raised rates. But for those losing their deductions, the marginal rate would increase by between one and two percentage points until the phase-outs were complete.

We raise the alarm now because this sneaky bit of political fiddling last became law during a previous bipartisan budget summit—in 1990. Democrats proposed it then, too, and President George H.W. Bush and his budget chief Dick Darman agreed to it so they could appear to be raising tax rates less than they really were.

Those deduction phase-outs continued to be part of the tax code until the 2003 tax law finally phased out the phase-outs. They are scheduled to return when the George W. Bush tax rates expire at the end of 2012. While the statutory top rate will then rise to 39.6%, millions of taxpayers will pay a top rate closer to 41% as they lose their deductions. This is in addition to the 3.8% payroll tax increase on investment income that will hit millions of these same taxpayers when ObamaCare gears up in 2013.

Only six months ago, President Obama endorsed the extension of the Bush rates (and the end of the phase-outs) for two more years, but now his negotiators want to renege on that deal. They want to reintroduce the phase-outs as part of a debt-ceiling deal,

apparently so they can claim they got Republicans to agree to some "revenue increases" in return for spending cuts. Some Republicans might be tempted to go along claiming they didn't raise tax rates.

They'll deserve only scorn if they do. Republicans will be signing on to a tax increase, and one of the more dishonest varieties at that. The phase-out gambit is an attempt to shoe-horn more progressively into the tax code without admitting it, and to do so in such a way that only tax experts will know what's going on.

One goal of the tax reform that Republicans and Mr. Obama keep talking about is to simplify the tax code, but deduction phase-outs make the code far more complicated. Phase-outs make it impossible for taxpayers to add up their income, look at the tax tables, and know what they owe. The IRS taxpayer advocate service and even the head of the American Bar Association's tax section urged their repeal in the 1990s.

Democrats keep telling us Americans support raising taxes. If that's true, the least they can do is try to raise them honestly.

Mr. KYL. I yield the floor.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. BROWN of Massachusetts. Madam President, I thank Senator KYL for his eloquent speech on the issues of the day that are obviously very serious for the American people.

Madam President, I am here to speak on a couple of issues—first and foremost, regarding the Asset Forfeiture Responsibility Act of 2011, an act that I have filed and will speak on in a moment.

I ask unanimous consent to speak as in morning business.

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

Mr. BROWN of Massachusetts. Madam President, I want to comment on Secretary Gates' last day over at the Pentagon. I was over there doing some work, and I noted that he was being honored today. I thank him for his dedication and service to our country. He leaves behind an incredible record of service.

Our military and families, while strained, have never been more prepared to fight and win in today's conflicts. From my interaction with him, I have gained an enormous level of respect for his tireless leadership and committed resolve on behalf of our men and women in uniform and their families.

Mr. Secretary, thank you for your incredible service to this Nation. You have made us all proud.

Madam President, today, one of our Nation's finest officers, GEN David Petraeus, leaves behind a distinguished record of military service and moves on to a new job. The wealth of experience he brings to this critical post will be invaluable as he and the other dedicated public servants at the Agency work to keep our Nation safe from harm. I have the utmost faith in his leadership and look forward to the contributions he will make to the Agency and to our country.

(The remarks of Mr. BROWN pertaining to the introduction of S. 1312 are printed in today's RECORD under

"Statements on Introduced Bills and Joint Resolutions.")

Mr. BROWN of Massachusetts. On a side note, I am hopeful that we will continue to work together and try to get through a lot of these fiscal challenges we have. I, for one, along with many others, look forward to finding common solutions to move our country forward and step back from the financial precipice we are approaching.

I ask unanimous consent that the time during quorum calls be divided equally to both sides, and I yield the floor.

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

The Senator from Maryland is recognized.

Mr. CARDIN. Madam President, I ask unanimous consent that I be able to speak as in morning business.

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

**THE BUDGET**

Mr. CARDIN. Madam President, I take this time to talk about the budget issues and the debt ceiling vote that is approaching. It is a serious issue that we need to deal with.

First, I think it is important to know how we got here. I say that because we don't want to repeat the mistakes we made in the past. It was just 10 years ago when we had not only a balanced budget, we had a budget that looked like we were going to pay off all of our privately held debt. I was part of the Congress that moved us toward that balanced budget and surplus. It was the Democrats who were prepared to do what was necessary to balance the Federal budget in the 1990s, and we got there. We didn't have a single vote from Republicans, but we balanced the budget in the 1990s. It was the right thing to do for our economy. As a result, our economy picked up and did extremely well.

We also know that the previous administration cut taxes twice, in 2001 and 2003. We also went to war in Iraq—a war that was one of choice—and we went to war in Afghanistan, and we didn't pay for either one of those wars. It was these unpaid-for wars and tax policies that led us from a surplus to a deficit. Our economy then turned, and we now have these large deficits. I say that because we need to pay attention to how we got here to make sure we have a credible plan to get us out of this deficit.

I think it is very important that this country move toward a manageable debt. It is very important for our economy, and for job growth, that we manage our deficit and bring it down.

Let me give you what I think needs to be done in any plan that is presented to us for consideration. I hope we all agree that we need to raise the debt ceiling. That is after the fact. We have already spent the money. Now we have to pay the bill. We also would like to see a plan to bring our deficit under control. To do that, we have to have a credible plan, one that really does

bring us within the realm of a manageable deficit.

Secondly, it has to be fair. I notice that my Republican friends ask our children to give up some of their help for a college education. They want to cut the Head Start Program, and they want seniors to pay more for health care. How about the well off? Should they not be part of the plan? I think we need to have a fair plan in order to accomplish our goal.

Third, we need to allow our Nation to move forward with economic growth. Jobs are critically important to deal with the deficit. As we create more jobs, we help our economy grow, it brings our budget into balance.

I am for a credible plan. To me, a credible plan needs to get the job done. Managing our deficit needs to be fair, including all elements of government spending, and it includes tax expenditures. It has to allow for economic growth. If we are going to get the job done, we have to bring down spending—we all acknowledge that—on the domestic side and the national security side. We can do better in bringing our troops home from Afghanistan and save military dollars.

There are things we can do, and we need to do that. But we also have to deal with the revenue side. Quite frankly, we can't get the job done without dealing with the tax loopholes and shelters that we have in the Tax Code. I am concerned that the Republican leader said we could not consider any revenue. Well, I have heard from a lot of my Republican colleagues who disagree with that. We need to include revenues in a credible plan or it can't get done. We cannot manage the deficit without closing those loopholes and eliminating those shelters.

Yesterday, I talked about one of those—the ethanol subsidy. We have nearly \$3 billion that we can save there. The ethanol subsidies are not needed. The market is there. More damaging, it is hurting our economy. I have the honor of representing the people of Maryland and the Delmarva Peninsula. The poultry industry is suffering because of the ethanol subsidies. It is costing more to produce poultry, making the industry less competitive. We can save and create jobs by eliminating the ethanol subsidy, which will help us in balancing the budget.

Today, I want to talk about another tax shelter and loophole that we can deal with, and that is the section 199 manufacturing tax break used by the oil and gas industry. It is very interesting. We have seen gasoline prices rise, and we have seen the negative impact of that on our economy. But guess who is benefitting from the increase in the gasoline prices? You are right; it is the oil and gas industry. Their profits are up, while our economy has been suffering.

In the first 3 months of this year, the gas and oil industry, the five largest companies, had record profits of \$35.8 billion. Big Oil benefits from a variety

of subsidies, including section 199, that amount to some \$4 billion annually. So we are subsidizing the Big Five, who are on course to make a projected \$140 billion profit in 2011, with \$4 billion in taxpayer contributions. It is not needed. These funds could be used to help reduce our deficit instead.

The worst part is that section 199 came about as a result of our Foreign Sales Act. What was that about? We wanted to put American manufacturers and producers on a level playing field for international competition. We tried to do that with a direct subsidy to help exporters, but the World Trade Organization held that to be illegal. So then we came back with this general manufacturers' credit, section 199, to try to help our exporters.

The gas and oil industry are not manufacturers exporting a product. They should never have qualified for this taxpayer-funded subsidy. I asked that question in the Senate Finance Committee when we had the Big Five oil companies' chief executive officers (CEOs) before us. Not one of the CEOs could justify the fairness of this subsidy going to the oil and gas industry. Their only answer was: Well, everyone else is getting it.

We need to reduce unnecessary government spending, whether it is on the appropriations side or the tax expenditure side. With regard to the oil and gas industry, repealing section 199 and the rest of the \$4 billion or so in subsidies these companies receive each year could help us balance the budget.

But the minority leader says we can't even consider that. He says we can't consider any of the revenues. To me, it is not a fair proposal, not a credible proposal, unless we tell the most wealthy and those companies that don't need the subsidies that they are going to be part of the plan to bring our budget into balance.

There are many more provisions in the Tax Code we can look at where we can get the savings. I have just mentioned two. If we are going to have a credible plan that will allow for economic growth and allow us to create jobs—and the best way to deal with the deficit is to create more jobs—then we have to have a fair approach. So I urge my colleagues to get together on this.

Look, I understand it is not going to be the budget the Democrats want, but I will tell you this: it will not be the budget the House Republicans want either. We have to work together, Democrats and Republicans. I think we can find common ground. Earlier this year, I think 62 Senators signed a letter saying, let's use the framework of the debt commission. So I think there was that willingness. Let's get back to that.

Let's get the Democrats and Republicans working together in true compromise. We don't have to compromise our principles. We can get the job done, and that job means let's get our debt into a manageable state, let's do it in a way that is fair, so the well off also are part of a solution that includes rev-

enues, and let's do it in a way that allows America to do what President Obama said we can do—out-educate, out-innovate, and out-build our competitors so we can create the jobs that won't just help us balance our budget but will keep America prosperous, too.

That is our charge. That is what we need to do. Let's get on with the work. With that, I yield floor.

The PRESIDING OFFICER (Mr. BLUMENTHAL). The Senator from Texas.

Mrs. HUTCHISON. Mr. President, before I start my remarks, I would like to say that in about an hour we will start voting on the nomination of General Petraeus to lead the CIA, and I am going to enthusiastically support that nomination because I do think General Petraeus has shown the kind of military leadership that makes our country proud. He has come in at some of the hardest times in both Iraq and Afghanistan. I have met with him in Iraq to see exactly what he was doing, how he was implementing his counterinsurgency proposals, and I think he is a gifted leader.

I also believe in this war we are in—the war against terrorists—the CIA and the military have such a necessary link, and in many ways they are co-dependent on the information and the capabilities that each uniquely has. So I think he will do the same great job he has done in public service in this kind of arena that has become much more closely linked to the military, for sure. So I will support his nomination.

#### DEBT CEILING

Mr. President, today, so many people have been talking about this debt ceiling issue, which should be what we are talking about because we have perhaps only as long as 1 month—we are not exactly clear—when we will reach that over \$14 trillion debt ceiling. This is the most serious issue facing Congress and the President today, and we shouldn't be doing anything else except talking about how we are going to bridge this gap that would allow us to go forward with significant reforms.

I will not vote to raise the debt ceiling unless there are not significant reforms that assure we will not have to do it again; that we will begin to bring down the deficit that is causing this huge debt to accumulate. So I am looking for the leaders who are meeting in the different meetings—some I am privy to—to essentially come to an agreement so we can send that message.

People have talked about the message that would be sent to the world if the debt ceiling isn't lifted. I am concerned about the message that would be sent if we lift the debt ceiling without reforms. I wish to send the message to the global marketplace that we are going to deal with our financial situation, and we are going to deal with it responsibly; that we are going to cut the spending that has caused this debt to accumulate to such alarming levels. The message I wish to send to the world is, we are going to take this