[From Investor's Business Daily, Apr. 6, 2012]

BUFFETT TAX DIVIDES AMERICANS, BUT SOLVES NOTHING

(By Sen. John Barrasso)

On Monday, the U.S. Senate will vote on President Obama's Buffett tax. The bill is a political gimmick that's supposed to distract Americans from the president's miserable record instead of solving problems.

Americans know by now that the bill won't create a single job and it won't ease the pain at the pump. And President Obama and the White House have finally given up pretending that his new tax will balance the budget.

Even if he did put the new revenue towards the debt, it would only cover what Washington spends in about a day and a half. All this bill does is waste time and continue to push the president's distorted definition of "fairness."

President Obama thinks it's fair that our children and grandchildren will be burdened with debt because of his unprecedented reckless spending. Washington borrows 42 cents of every dollar it spends.

He thinks it's fair to pile another $40,000 of debt onto every household in the U.S. over the last three years. He thinks it's fair to use college students as props for his campaign-style rallies, without explaining how his bad policies will leave them in debt.

He thinks it's fair to force hardworking taxpayers to subsidize a wealthy person's purchase of a hybrid luxury car—because it fits his idea for American energy.

He thinks it's fair to hand out hundreds of millions of tax dollars to politically connected solar energy companies that then go bankrupt.

He thinks it's fair to tell thousands of workers they won't have jobs because he blocked the Keystone XL pipeline—to solidify the support of a few far left environmentalists.

And apparently President Obama thinks it's fair that three years of his policies have left us with more people on food stamps, more people in poverty, lower home values, higher gas prices and higher unemployment.

The American people strongly disagree. To the vast majority, fair means an equal opportunity to pursue their dreams. They also recognize that no man and no government can provide a guarantee of success.

To President Obama, fair requires nothing less than a totally equal outcome.

The waves of immigrants who came to our shores over generations did so for freedom and for a chance to succeed. They did not come here to be taken care of, or to have every decision made for them by the government. That's what many of them left behind. When President Obama pushes for equal outcomes instead of equal opportunity, he pits one group of Americans against another. He is telling people it's not right for someone else to have something they don't have. That may be a good campaign tactic, but it's not true—and it's bad for our country.

One person getting more does not mean anyone else has to get less. In America, it's possible for all of us to prosper. That is part of what made America the best from the very beginning. Here all of us can do better—not at the expense of our neighbors, but by our own effort. Our country's social safety net was established to catch people from falling—not to entangle them so they cannot rise. It certainly should never be used to justify burdening taxpayers with trillions of dollars in new debt. Somewhere along the way, Washington twisted the honorable American impulse to care for the least fortunate among us.

The Obama definition of "fairness" now threatens to produce a culture of dependency that weakens our society.

Today's debate over this new tax increase demonstrates the two different approaches to this country's future. President Obama may believe it's fair for Washington to dictate the rules so that everyone is equal in the end. Republicans want to promote economic growth for everybody, not equality of outcome at everybody's expense.

Despite what President Obama believes, true fairness requires equal opportunity, so that all may pursue their dreams. America was founded on that idea. That's what will lead us to a more prosperous future for all.

Americans deserve policies that promote growth and opportunity, not more taxes and spending.

Mr. MCCONNELL. Here is some of what he wrote. This is Senator BARRASSO:

President Obama thinks it's fair that our children and grandchildren will be burdened with debt because of his unprecedented reckless spending. Washington borrows 42 cents of every dollar it spends.

The President thinks that is fair.

He thinks it's fair to pile another $40,000 of debt onto every household in the U.S. over the last three years.

The President thinks that is fair.

He thinks it's fair to use college students as props for his campaign-style rallies, without explaining how his bad policies will leave them in debt.

He thinks it's fair to force hardworking taxpayers to subsidize a wealthy person's purchase of a hybrid luxury car—because it fits his idea for American energy.

He thinks it's fair to hand out hundreds of millions of tax dollars to politically connected solar energy companies that then go bankrupt.

He thinks it's fair to tell thousands of workers they won't have jobs because he blocked the Keystone XL pipeline—to solidify the support of a few far left environmentalists.

And apparently, President Obama thinks it's fair that three years of his policies have left us with more people on food stamps, more people in poverty, lower home values, higher gas prices, and higher unemployment.

Senator BARRASSO then explained what he thinks Americans actually think fairness consists of: equality of opportunity and freedom for everybody to pursue their dreams without government blocking the way.

For the President, fairness is about taking from some and giving it to others. It is about taking from taxpayers and giving it to solar companies. It is about taking from the private economy and giving it to government workers so they can blow it on an $823,000 awards dinner for themselves. It is anything but fair.

As for the President's second argument—well, you tell me. What about the way government spends the money it gets from taxpayers makes anybody think they would do a better job with the money they hope to get from this tax? Does anybody seriously think the government would do a better job spending this money than the people from whom they would extract this additional tax? It is completely ludicrous. Until Washington can show that it is a better steward of taxpayer dollars, or that it knows how to invest in a winner, it should not expect people to hand over another penny.

Here is my point: We have serious problems to address, and the President is not behaving seriously. There is a need and a growing desire on both sides of the aisle to do something. The President needs to step up and provide the serious leadership he promised the American people, and our folks—all 306 million people in this country—have every right to expect something better.

Mr. President, I yield the floor.

RESERVATION OF LEADER TIME

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

IMPOSING A MINIMUM EFFECTIVE TAX RATE FOR HIGH-INCOME TAXPAYERS—MOTION TO PROCEED

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of the motion to proceed to S. 2230, which the clerk will report.

The legislative clerk read as follows:

Motion to proceed to Calendar S. 2230, a bill to reduce the deficit by imposing a minimum effective tax rate for high-income taxpayers.

The ACTING PRESIDENT pro tempore. The Senator from Rhode Island is recognized.

Mr. WHITEHOUSE. Mr. President, on a late spring day 27 years ago, President Ronald Reagan addressed a group of high school students in Atlanta, GA. Many of the students in that audience that day were about to join the workforce, and President Reagan spoke about the "strange"—to use his word—tax system that would soon claim a portion of their paychecks.

In his speech President Reagan pledged:

We're going to close the unproductive tax loopholes that have allowed some of the truly wealthy to avoid paying their fair share.

He went on to note that under the country's complex tax rules, it was "possible for millionaires to pay nothing, while a bus driver [pays] 10 percent of his salary." President Reagan called this inequity with millionaires paying lower rates than bus drivers—to use his word—"crazy." He said, "It's time we stopped it."

One year later, President Reagan signed into law bipartisan tax reform that closed many of the loopholes and ensured that the highest earning Americans paid a fair share. The 1986 tax reform deal set the tax rate on investment income—overwhelmingly earned by those at the very top of the income ladder—at the same rate as regular wage income.

Unfortunately, in the years that followed, lobbyists have been all over Congress, and Congress has restored many of the loopholes President Reagan cut. It has repeatedly reduced tax rates on investment income. The capital gains tax rate has gone from 28 percent in the bipartisan Reagan tax reform to 15 percent today. Once again, those at the very top of the income spectrum have opportunities to cut their tax bills that are not available to regular middle-class families.

Let's look at where we are today, a quarter century after the last major overhaul of our tax system.

In this photo is a building that has stories to tell. This is the Helmsley Building on Park Avenue in New York City. Because this building is large enough to have its own ZIP Code, we know from public IRS information gathered by ZIP Code that the very wealthy and successful individuals and corporations that call this building home—with an average adjusted gross income of $1.2 million each—paid, on average, a 14.7-percent total Federal tax rate in the last available year for which we have information. A 14.7-percent total Federal tax rate is less than the rate the average New York City janitor, the average New York City doorman, or the average New York City security guard pays. The system is upside down.

It is not just in the Helmsley Building. Each year, the IRS publishes a report detailing the taxes paid by the highest earning 400 Americans. Last May, the IRS published the most recent data on the top 400 taxpayers—for the year 2008. They had an average income of $270 million each. That is not bad. In fact, that is wonderful. That is part of what makes America great.

But here is the ''crazy'' part—to quote President Reagan. On average, these 400 extremely high earning Americans—making $270 million in 1 year—actually paid an average Federal tax rate of just 18.2 percent on adjusted gross income. We have spent a fair amount of time in the Senate debating whether the top income tax rate should be 35 percent or something else—for example, 39.6 percent, as it was in the Clinton boom years. But the ultra rich get around this top rate through a variety of tax gimmicks.

We looked at what level of income a single filer would have to make to start paying 18.2 percent or more in Federal taxes. It is $39,350. If we look at the Department of Labor levels, that is about what a truckdriver, on average, earns in Rhode Island. Mr. President, $40,200 is what an average truckdriver, according to the Bureau of Labor Statistics, earns in Rhode Island—more than the $39,350—which means they are probably paying a higher tax rate as a single truckdriver in Providence, RI, than a millionaire who made $270 million in the last year.

That is just not fair, not right, and that is not the progressive tax system we have always had. I recently heard from one such truckdriver in Rhode Island. Mike Nunes, who is a member of Teamsters Local 251, joined me for a roundtable discussion on tax fairness in Cranston, RI. Mike said:

> I've been a middle-class worker here in Rhode Island since I was in my early twenties. My wife and I pay our taxes, and it's frustrating to hear that multi-millionaires are getting special treatment to pay a lower rate.

Mike is right. I hear the same as I travel around my State. I know my colleagues hear the same as they meet with their constituents across the country. They all agree with President Reagan that a tax system that allows many of the highest income earners among us to pay less than a truckdriver must be fixed.

The problem goes beyond the top 400 income earners in the country. The Congressional Research Service confirms that roughly one-quarter of $1 million-plus earners—about 94,500 taxpayers—pay a lower effective tax rate than over 10 million moderate-income taxpayers. Reuters reported this:

> Taxpayers earning more than $1 million a year pay an average U.S. income tax rate of nearly 19 percent.

The story goes on:

> About 65 percent of taxpayers who earn more than $1 million face a lower tax rate than the median tax rate for moderate income earners making $100,000 or less a year.

Let me read that again:

> About 65 percent of taxpayers who earn more than $1 million face a lower tax rate than the median tax rate for moderate income earners making $100,000 or less a year.

Our tax system is supposed to be progressive. The more one earns, the higher the rate one pays. That is not class warfare; that is tax policy. It has been that way for decades, if not even generations. We undermine that principle when we allow the highest income Americans to pay a lower tax rate than a truckdriver pays. It is no wonder that so many of the Rhode Islanders with whom I have spoken have lost confidence that our tax system gives them a straight deal.

With the top 1 percent of Americans earning 23 percent of our Nation's income and controlling 34 percent of our Nation's wealth—more than one-third—it would be difficult to argue that our system is too progressive.

Let's look at this other graphic. Of all of our Nation's wealth, the top 5 percent of Americans own over 60 percent of it. Of all of our Nation's wealth, the top 5 percent own more than 60 percent of all the wealth in the country. The top 1 percent control over one-third of it. The 400 families at the very top—the 400 I talked about earlier—own almost 3 percent of all America's wealth just among those 400 families. These are proportions we have not seen since the Roaring Twenties, and they are getting steadily worse.

We are not going to overhaul the Nation's tax laws this evening, but in a few hours we will have a chance to advance legislation to restore some fairness into our tax system. This long overdue bill—the Paying a Fair Share Act of 2012—would implement the so-called Buffett rule, after Warren Buffett, who has famously lamented that he pays a lower tax rate than his secretary. To correct this glaring tax inequity, this bill would ensure that those at the very top pay at least the tax rates faced by middle-class families.

I thank Senators AKAKA, BEGICH, LEAHY, HARKIN, BLUMENTHAL, SANDERS, SCHUMER, REED of Rhode Island, ROCKEFELLER, BOXER, DURBIN, and LEVIN for cosponsoring this measure.

I ask unanimous consent to add Senator LAUTENBERG as a cosponsor.

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

Mr. WHITEHOUSE. The structure of our bill is simple: If your total income—capital gains included—is over $2 million, you calculate your taxes under the regular system. If your effective rate turns out to be greater than 30 percent, you pay that rate—the same rate you would pay without the bill.

If, on the other hand, your effective tax rate is below 30 percent—like the 11 percent tax rate Warren Buffett paid in 2010—then you would pay the fair share tax of 30 percent instead.

Taxpayers earning less than $1 million—which is more than 99.8 percent of Americans—would not be affected by this bill at all. For taxpayers earning between $1 million and $2 million, the fair share tax gets phased in. Ultimately, when you earn over $2 million, you are subject to the full 30-percent minimum rate.

The one exception the bill makes to the 30 percent minimum is to maintain the incentive for charitable giving. Under the bill, taxpayers are permitted to subtract the same amount of contributions allowed under the regular income tax from their taxable income. The reason for this one exception should be self-evident: charity benefits others and taxpayers should be encouraged to give.

Some say, given our fragile economic recovery, now is the wrong time to raise taxes on anyone. While middle-class families continue to struggle through the recovery, it seems the boom times have already returned for those at the very top.

According to a recent analysis by University of California at Berkeley economist Emmanuel Saez, 93 percent of the income growth in 2010 went to the top 1 percent of income earners. Even more astounding, 37 percent of the income growth in that year went to the few thousand taxpayers in the top 0.01 percent. With so much income growth at the very top and with looming budget deficits, it is hard to argue that people with 7-, 8-, 9-, or even 10-figure incomes can't afford to pay a reasonable tax rate.

To be clear, it has been said on this floor this is a tax on investment and this is a tax on job creation. That is wrong. This is a tax on one thing: income.

Republicans have criticized the amount of revenue that would be generated by the bill. The ranking Republican on the Senate Finance Committee called the $47 billion the Joint

Committee on Taxation has estimated a meager sum. Well, in Rhode Island, we don't consider $47 billion to be a meager sum. It is enough money, for instance, to permanently keep subsidized student loan interest rates from jumping from the current 3.4 percent to 6.8 percent in July, which they will do unless we act. If we could use this bill to offset the cost of keeping student loan interest rates low, then there are millions of students out there who would call that benefit something other than meager.

We could use the $47 billion on badly needed infrastructure projects and create 611,000 jobs nationwide. In Rhode Island, we have 11 percent unemployment and a long backlog of transportation infrastructure projects. At the top of that list is the viaduct bridge on Interstate 95 through Providence. This critical link along the northeast corridor running up through Rhode Island has wooden boards inserted between the I-beams underneath to prevent the concrete in the roadway from falling in on the traffic below. Also, where the Amtrak rails go underneath, there are wood planks to keep the roadway from falling in on the trains as they pass below. I don't think repair of this bridge and others would be meager at $47 billion worth, particularly if we put it into an infrastructure bank and leverage it for even more jobs.

It is worth noting this legislation would generate far more revenue than the $47 billion the Republicans complain of if the Republicans were to succeed in their quest to extend the very high-end Bush tax cuts. If the Bush tax cuts for people in this bracket continue, the revenue from the bill jumps from $47 billion to $162 billion over a 10-year budget horizon. Operating as a backstop, the Buffett rule can ensure those at the top pay a fair share no matter what loopholes, no matter what special treatments Congress adds to the Tax Code in the future.

Finally, the Senate Republican leader has described the bill as yet another proposal from the White House that won't create a single job or lower the price at the pump by a penny. Well, the minority leader is absolutely right. The aim of this bill is not to lower the unemployment rate or the price of gasoline. However, if you put the $47 billion into infrastructure, you could create 611,000 infrastructure jobs and a lot of good infrastructure as well. And if you put the $47 billion into LIHEAP, you could help millions of Americans pay their energy bills.

But let me add an additional point. The Republicans are claiming this bill, which is a tax fairness bill, not a job-creating bill, will not create a single job. Of course, if you spent the revenue, it would, but that is a separate discussion. At the same time they are making that point, the Republicans in Washington are sitting on our highway bill which creates 3 million jobs and they won't call it up on the House side because they do not want to rely on Democratic votes. Three million jobs are awaiting action in the House on the bipartisan Senate highway bill that had 75 Senators supporting it, and they won't call it up—the Republicans won't call it up—because they do not want to use Democratic votes.

What kind of Washington insider logic is that? People across this country who will go to work on those roads and bridges don't think that makes any sense. For Republicans now to be talking about jobs on this bill, while they have a jobs bill that creates 3 million jobs they are blockading in the House, the word ''jobs'' should turn to ashes in their mouths.

There are plenty of things this narrow tax fairness bill won't do. It will not bring world peace, it won't save endangered whales from extension, it won't cure the common cold. It will do none of that. It will restore the confidence of middle-class Americans in our tax system by assuring those at the very top of the income spectrum are not paying lower rates than regular families do.

In addition to restoring fairness to the Tax Code, the bill will generate considerable revenue to cut the deficit or invest in job creation and critical programs. I happen to think that tax fairness and tens of billions of dollars in revenue or deficit reduction are reasons enough to pass the bill. And if the Republican leader wishes to work with us on taxing other issues, I am wide open to that. But today's vote is about tax fairness. It is about undoing a gimmick in the Tax Code that allows people earning over $1/4 billion a year to pay lower tax rates than truckdrivers.

Unfortunately, this has become a partisan issue, which is surprising, because the principle of a progressive Tax Code has always been a basic American tax policy principle. The arguments we are making today about paying a fair share were made exactly by Ronald Reagan. But things have changed and so there is this squabble. Even business owners support this bill. A recent poll conducted by the American Sustainable Business Council, the Main Street Alliance, and the Small Business Majority found that 58 percent of business owners said those making over $1 million a year are not paying their fair share in taxes and 57 percent supported increasing taxes for those at the top. That is out of the small business community.

These business owners know it is simply fair for the most fortunate and successful Americans to pay a larger share of their income in taxes than less successful families do. That is what a progressive tax system is supposed to do. That is what it has always done. Sadly, over the past few decades, as income has soared at the very top, the effective tax rates have plummeted.

This chart, prepared by Budget Committee chairman KENT CONRAD, shows the effective Federal income tax rate for the top 400 income earners since 1992. As you can see, there has been a dramatic drop from 1995 to 2008. These rates are for Federal income tax. If you add in the small amount of payroll taxes paid by those at the very top—which is a separate discussion, but they fall 100 percent on the income of middle-income families but only on a small portion of the income of super-high-end income families—the total Federal tax rate for 2008 goes up to 18.2 percent, counting in that withholding. That is, again, the effective Federal tax rate of that truckdriver in Providence. The trend in falling tax rates for those making seven figures in income or more has eroded the confidence of ordinary Americans who do pay their fair share.

I will conclude with one more quote. This is another quote from President Reagan's 1985 speech on tax fairness. This is President Reagan, the man whom so many conservative Republicans revere. He said:

> What we're trying to move against is institutionalized unfairness. We want to see that everyone pays their fair share, and no one gets a free ride. Our reasons? It's good for society when we all know that no one is manipulating the system to their advantage because they're rich and powerful.

That was President Reagan in 1985. Today, his party is defending that manipulation.

In the 27 years since that speech, the American playing field has been skewed ever more toward the rich and powerful. From bankruptcy reform, which favors big corporations over people, to the Citizens United decision, which has allowed corporations and billionaires to spend unlimited cash to influence American elections, to this lower tax rate for ultra-high income earners, the American people have simply not been getting a straight deal from Washington.

Many are calling the vote we will have on the Buffett rule bill today a test vote, because it is on a procedural motion, and the pundits don't expect it to pass. I agree. This is a test vote. But it is a test of a different sort. This is a test of Washington, DC, to do something that is simple, to do something that is right, and to do something that is fair for the middle class. If we proceed to and pass this bill, it will show the American people that Congress is capable of standing by their side, that Congress is capable of being on their side, that Congress is capable of saying no to a powerful and well-funded special interest. If we fail, it will indicate exactly what President Reagan feared—that the rich and powerful are able to manipulate the system to their advantage and we in Congress will do nothing about it.

One of the things America stands for in this world is that we are fair with each other; we get a straight deal and we give each other a straight deal. That is one of the ways in which America stands as an example to the rest of the world. There are plenty of countries where the internal political and economic systems amount to a racket—a racket that is rigged for the benefit of the rich and powerful and against farmers and workers and small businesses and ordinary families. Some of those countries are so bad we call them kleptocracies. But that has never been America. That is not the America of the Founding Fathers. It is not the America of Ronald Reagan. It is not the America that shines its light into the four corners of the world as an example to the rest of the world. That is not the America we are here to serve.

We must be vigilant in protecting the ideals that make this country what it is. I urge my colleagues, Democrats and Republicans alike, to heed the words of President Reagan and to support this legislation, which will ensure that a favored segment of the highest earning Americans once again do something as simple as pay their fair share in taxes. Let us show the American people that our Nation does stand apart as an exemplar of fairness and of equal opportunity and of equal responsibility under the law.

I thank the Chair. I see colleagues in the Chamber, and I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Ohio.

Mr. PORTMAN. Mr. President, we stand here today, the day before tax day—the day when all Americans have to get their income taxes together—and we also stand here in the middle of the weakest economic recovery since the Great Depression—a time when economists across the spectrum agree there is an urgent need for us to take our Tax Code and make it more efficient, to reform our Tax Code to help grow our economy and add jobs. And instead of an administration or leadership in this body proposing serious tax reforms that will actually get people back to work, we are spending this week debating a political proposal that no one can credibly argue will create a single job, except maybe some tax accountants because it adds more complexity to an already way too complex Tax Code. Unfortunately, this has become ‘‘tax gimmick week’’ here in Washington.

It is particularly disappointing because as a Nation we are stuck in an historically weak economy with high unemployment, record long-term unemployment, and anemic economic growth. This recovery we are in is different, sadly. We are still millions of jobs down from where we were at the start of the recession, which was about 4 years ago. It is interesting to compare it to other recoveries.

In 2001, the so-called jobless recovery, at this point in the recovery about 4 years after the recession, the Nation had not only brought back all the jobs that were lost in the recession but we had added hundreds of thousands of new jobs.

Even in 1981, considered the deepest recession in modern history before the most recent one, at this time 4 years after the recession we had added 6 million new jobs to the economy.

Unfortunately, today, as we stand here, we are still down 5.5 million jobs. So instead of adding 6 million jobs, as we had during the Reagan administration after the 1981 deep recession, today as we stand here we are still trying to find how to add back the jobs we lost in the recession, 5.5 million jobs, 5.5 million families across this country who continue to look for hope and opportunity.

So in the midst of this weak recovery, the weakest since the Great Depression, I think it is reasonable to expect that the President of the United States and the U.S. Congress would focus on real solutions to create jobs; in particular, real solutions to reform our inefficient, complex, and outdated Tax Code, because there is a consensus out there we need to do that.

To make the Tax Code more pro-jobs, to encourage work and savings and investment requires broad-based reform, and everybody knows it. The President’s own commission, called the Simpson-Bowles commission, recommended it. Most recently, the President’s own Jobs Council recommended it.

We need a proposal taken up by this Senate that is driven by good economics. Instead, what we are getting this week is one that is driven by campaign rhetoric. My colleagues on the other side of the aisle will soon bring to the floor President Obama’s proposed new tax targeting investment income, the Buffett tax, named after businessman Warren Buffett, which imposes a 30-percent minimum tax on anyone earning over a certain amount—$1 million. Interestingly, for all of the chest thumping about this is going to reduce our deficit, this new tax will bring in less than one-half of 1 percent of the annual individual income taxes that are paid. By the way, this will be enough to pay 1 week’s interest on our $15 trillion national debt. That is it. So it is certainly not about deficit reduction at a time of trillion-dollar deficits.

The President also says his new tax on investments on American businesses is necessary to, as he said, invest in what will help the economy grow. This apparently means this will result in more government spending. Private enterprises that actually create jobs apparently are not the ones that will be making the investments. Instead, it will be investments through government spending.

I think the Buffett rule is bad economics, I think it is bad fiscal policy, and I think it is a distraction from the broader bipartisan effort underway to achieve fundamental tax reform that is necessary to unleash a true economic recovery—the proposals built, by the way, on this notion that I heard from my colleague a moment ago that the Tax Code is not progressive. We can argue about what progressive means, but here are some statistics:

According to the Tax Policy Center, the top 1 percent of income earners in this country pays a 28-percent Federal tax rate. By contrast, Americans with incomes between $60,000 and $100,000 pay a 19-percent tax rate. Those earning between $35,000 and $60,000 pay a 14-percent tax rate.

Another way to look at this is that the top 1 percent of taxpayers now pays 39 percent of all Federal income taxes. The top 10 percent now pays 86 percent of all Federal income taxes. Those below the 50-percent mark now pay 1 percent of Federal income taxes. Is that progressive or not? I would say it is progressive.

To my colleagues who are saying the income tax is not progressive, I don’t think that is the concern here. I think the concern is we have an income tax code that has too many preferences, deductions, credits, exemptions—by the way, mostly taken advantage of by wealthier taxpayers. We ought to reform the Tax Code.

But because the Tax Code is already so progressive, as we talked about, this proposal from the President works primarily by increasing the tax a lot of wealthy people pay on investment income, primarily what is known as long-term capital gains. Capital gains have historically been taxed in this country at a lower rate for individuals, and they are taxed at a lower rate for good reason: Capital gains are the return on longer term investments and enterprises that create jobs. That is something that we have always wanted to encourage in this country. A lower tax on capital gains drives job-creating investment. According to the nonpartisan Congressional Committee on Taxation, it increases wages over the long run. So by having a lower rate for capital investments, long-term investments in job creation, it will increase wages in the long run.

By the way, that is why Presidents Kennedy, Reagan, Clinton, and Bush all backed capital gains rate cuts. As President Kennedy said so well: A rising tide lifts all boats.

Second, we should realize that raising the capital gains rate doesn’t translate directly into higher revenues. Why is that? It is because it is an elective tax. Think about it. You only pay it when you choose to sell an asset, when you choose to realize what is called a gain when you sell something. So you don’t have to incur this tax. Common sense, economics, and experience teach that a higher capital gains rate causes some investors to hold assets rather than sell them, just as a lower capital gains rate will encourage more people to sell an asset because the rate will be lower. And this is what has happened: After every recent capital gains rate cut, in 1981, 1997, and 2003, capital gains revenues actually increased.

So you had a cut in the rate in 1981, 1997, and 2003, and what happened? The revenues actually increased: Lower rate, higher revenues. How could that be? Well, because with the lower rate people sold more assets and created more economic activity.

Capital gains tax rates increased between 37 and 114 percent over 4 years, and that is after inflation. By contrast, after a capital gains rate increase took effect in 1987—that was talked about a moment ago—capital gains revenues actually dropped 55 percent over the next 4 years.

So we can debate what the rate ought to be, but the fact is to say that there is going to be a direct correlation between raising that rate and more revenue simply is not borne out by historical experience or by common sense.

Third, unlike other types of income, capital gains are often double taxed. Think about a typical capital investment, someone buying corporate stock—that is the most typical one, holding that stock for over 1 year—you have got to hold it for over 1 year—and then selling it for a profit. That gain has already been subject to a 35-percent rate at the corporate level. It is then followed by the capital gains rate, now at 15 percent, when the shareholder sells, for a combined 45-percent tax on that capital investment.

By the way, with global competitors such as Canada, Japan, the United Kingdom, and others moving to cut their corporate tax rates in order to create jobs, this new tax on capital investment would move the United States farther backward in terms of being competitive in the global economy. Our corporate tax rate is already higher than all of our major foreign competitors. As of April 1, Japan lowered theirs, making us No. 1 in the world in something you don't want to be No. 1 in, which is the highest corporate rate. We don't need new barriers to growth and job creation, and that is what would result.

Instead of an election year gimmick that won't help the economy, it is time to focus on fundamental tax reform to make American businesses and workers more competitive again, as the President's own Simpson-Bowles commission has recommended and as the President's own Jobs Council has recommended.

I agree with what former Clinton Budget Director Alice Rivlin said about the Buffett tax, which is the way to fix the Tax Code is to fix the Tax Code, not to add another complication at the margins. The Buffett tax is an election year distraction from serious reform. Why not focus on the elephant in the room—an outdated and complex Tax Code that is hurting our economy, weighing down our economy, making it harder for us to get out of the kind of doldrums we are in right now with this weak recovery.

I believe there is a consensus among economists and serious thinkers across the political spectrum, Republicans, Democrats, and Independents alike, that with an increasingly competitive global economy, we have to reform our Tax Code to help us get out of this rut we are in, this historically weak recovery that leaves too many people vulnerable, too many parents wondering if the future is going to be brighter for their kids and grandkids, as it was for them.

I believe there is also a growing bipartisan consensus about how to do it, which is that we ought to do it by broadening the base—meaning getting rid of some of these growing credits and deductions and exemptions I talked about earlier, lowering the marginal rates on American families and on our businesses to be able to create jobs. That will ensure that those who can afford to pay more will pay their share—their fair share. And the economy will grow, a rising tide lifting all boats, truly helping families who are worried, for good reason, about their economic future.

The American people don't deserve more gimmicks, as we will see this week in Washington. They deserve real leadership.

Mr. President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Rhode Island.

Mr. WHITEHOUSE. Mr. President, it is interesting that my Republican colleagues tend to refer to this as a tax gimmick. It was referred to as tax gimmick week because we are considering having people earning a quarter of a billion dollars pay a rate equal to what a truckdriver pays. That doesn't sound very gimmicky to me. That sounds like pretty Main Street fairness to me.

But the bottom line is there is a gimmick at stake. It is the gimmick in the Tax Code that allows for that to take place, that allows for a hedge fund billionaire to claim a lower rate than a truckdriver. So if there is a gimmick here, it is the gimmick we are trying to remove. It is not a gimmick that we are trying to pursue.

It has been said this is a tax on investment, a tax on job creation. It isn't. It is a tax on income, when it is declared as income. And if our purpose should be how to add back the jobs lost in the recession, we just passed a highway bill with 75 Senators supporting it, only 22 opposed—which, as we know around here in this partisan environment, is a landslide. It came out of the Environment and Public Works Committee unanimously. It had 40 amendments accepted, and now 3 million jobs are bottled up on the other end of this hallway in the House of Representatives because the Republican Speaker doesn't want to use Democratic votes. If you want to do something about jobs, tell the Republican Speaker to pass the Senate highway bill. It is as simple as that, 3 million jobs, bipartisan. So when we talk about jobs, I have a good recommendation: Pass the big highway jobs bill that is being kept bottled up here.

The other point I wanted to make on the question of whether the tax system is progressive, the IRS and the Federal Reserve point out that the top 1 percent in America in terms of wealth controls 33.8 percent of the Nation's wealth, but the top 1 percent in taxes pays only 28.3 percent of the taxes when all taxes are taken into consideration. The top 5 percent controls 60 percent of the Nation's wealth, but the top 5 percent in taxes only pays 44.7 percent. So if you want to take numbers sort of without context, you can make it look as if it is very progressive, but when you measure against the wealth inequality in this country and the income inequality in this country, it is hard to say we actually are running a progressive tax system. And that is why, as Reuters reported, about 65 percent of taxpayers who earn more than $1 million face a lower tax rate than the median tax rate for moderate-income earners making $100,000 or less a year, according to the Congressional Research Service.

MATT RUTHERFORD'S SOLO SAIL

Mr. HARKIN. Mr. President, before the Easter recess, I came to the floor to talk about a truly remarkable American—a visionary, a dreamer, an adventurer, and, most importantly, a young man who has devoted himself to service to others far above and beyond the call of duty. The young man's name is Matt Rutherford, an Ohioan. He turned 31 about a week ago.

Here is what he has done in almost the last year. On June 13 of last year, this then-30-year-old young man got onboard a 36-year-old, 27-foot-long Albin Vega sailboat, a small sloop-rigged sailboat, and he set out on one of the most audacious adventures ever contemplated by any sailor.

He set out to circumnavigate the Americas, solo and nonstop. Here is what he did. On June 13 of last year, he left Annapolis on this small 27-foot sailboat. He sailed out of the Chesapeake Bay, he sailed up around Nova Scotia, Newfoundland, Labrador, all the way up by Greenland—all by himself—and then sailed the Northwest Passage, all the way through the Northwest Passage here.

If I remember right, he has been certified by the Scott Polar Institute in Cambridge, England; he has been recognized as the first person in recorded history to make it through the fabled Northwest Passage alone and nonstop in such a small sailboat. He came through the Northwest Passage, rounded Alaska, went from Alaska all the way down to Cape Horn.

Again, if you know anything about the treacherous waters of Cape Horn, you know someone in a small 27-foot boat probably doesn't have much chance of making it, but he did it. He went around Cape Horn, all the way up the coast of South America, up through the Caribbean, and today as I stand here and speak, he is just outside of the mouth of the Chesapeake Bay, off the coast of Virginia, the North Carolina-Virginia border, and is going to make landfall this Saturday in Annapolis, 313 days after he started—solo, nonstop, never touched land. This is one of the most historic adventures ever undertaken by a human being,