

other side of the aisle, and we are in active negotiation with the Republicans now as to what we can do to raise revenue to reduce our deficit.

We are also talking about some other elements that trouble me. One of them is the estate tax. The estate tax is a tax paid by very few Americans. Less than 1 percent of those who die each year pay anything to the Federal Government on their estates because most people don't have an estate large enough to qualify for estate tax liability.

There was a long debate for many years on this issue, and Frank Luntz and some of the Republican advisers masterfully came up with this term the "death tax" and they created this impression among a lot of people that this tax—the estate tax or death tax—would be imposed on virtually everyone. In fact, when I went to O'Hare Airport once to check in curbside, where people can do that, one of the United Airlines attendants took my baggage, saw the name tag on it, and said: Senator, please do something and protect me from the death tax. I wanted to stop and tell this hard-working gentleman he would have to win the lottery to pay the death tax, as he called it. It is reserved for a small number of people in this country who have done very well in life and end up paying a tax ultimately on the increase in value of many of the assets they bought during the course of their life.

Having said that, it has become part of our deficit negotiation. I am troubled by the notion we are somehow going to give a tax break to some 6,000 very fortunate Americans and incur a new expense for our Federal Government of some \$130 billion or \$140 billion in the process. What are we thinking? At a time when we have to try to bring together the resources to reduce our deficit, why would we want to give a new bonus break for the wealthiest people in this country when it comes to the estate tax? That, to me, would be a step backward. I hope we aren't forced into any agreement that includes it, although I stand here knowing full well if there is an ultimate compromise, there will be parts of it I find disgusting and reprehensible which I may have to swallow in the name of finding a compromise that will avoid this fiscal cliff. That is the nature of a political compromise. I hope that one isn't included, but it may be.

In addition, we have to do things that are important for this economy and one of the most important is to make sure we extend unemployment benefits for the long-term unemployed. If we don't act and act quickly, 2 million Americans will lose their unemployment benefits tomorrow—2 million. These people are literally struggling to get by and keep their families together while they look for a job. We should make sure this stimulus—the money for unemployed families—continues, so while they are trying to find a job or, in fact, going through new education

and training, they have a helping hand. That is who we are as Americans and we ought to include it in any package that avoids this fiscal cliff.

Beyond that, there is much work that needs to be done beyond the fiscal cliff. This negotiation does not go deeply into deficit reduction, and I think we need to. I was a member of the Simpson-Bowles Commission. I salute my colleague KENT CONRAD of North Dakota, who is retiring in just a few days, for his amazing leadership in bringing us to this moment in this national debate, but we still have much work to do, and I am sorry KENT will not be here to be personally part of it. I have viewed him as an almost irreplaceable resource in this debate. He knows more about our Federal budget and the deficit challenge we face than any Member of Congress, period. All the rest of us have learned so much from him, and we are certainly going to miss him.

We need to continue this effort he started to reduce the deficit. We need to look seriously at our entitlement programs so at the end of the day we meet our obligation to future generations. Social Security is solvent for 20 years. We should make it solvent for 75, and we can do it; if we face it today, we can do it. I think we ought to have a separate commission taking a look at this challenge, reporting back to Congress and entertaining alternatives and substitutes on the floor that are certified to meet the same goal. That is important.

We also know in 12 years Medicare will not have the resources it needs to meet its obligations. Forty or 50 million Americans depend on it, literally, for their life-and-death issues when it comes to health care. We need to work on that immediately to deal with reducing the cost of Medicare while still protecting the integrity and promise of that amazing program that has served us so well for almost 50 years.

We have a challenge ahead of us. First, let's work together on a bipartisan basis to try to avoid this fiscal cliff; if we cannot, let's work as quickly as we can to get back on our feet, on a bipartisan basis, and come up with an agreement that moves our economy forward. Finally, let's deal with deficit reduction and long-term entitlement reform. That is part of our obligation.

I spoke to our Senate Democratic caucus a little earlier today about the terrible problems we face in Illinois, with one of the lowest credit ratings in the Nation, primarily because our pension systems are underfunded. For more than four decades, Republican and Democratic Governors have ignored the challenge, as have many leaders in our general assembly. And now the responsibility falls on this generation of leaders to try to deal with a vexing situation where it would take literally one-third of our State budget to meet the unfunded liabilities of our pension systems.

We cannot let that happen at the Federal level. Whether it is Social Se-

curity or Medicare, we need to make the thoughtful choices, the thoughtful advances in these programs today that protect them for generations to come.

Mr. President, I yield the floor.

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

THE FISCAL CLIFF

Mrs. HUTCHISON. Mr. President, we are here just hours before a looming deadline that is going to affect just about every American in some way, and I do believe both sides of the aisle and both sides of the Rotunda want to come to a conclusion that will keep us from having what looks like a complete meltdown of governing in Washington.

Someone asked the question in one of our conferences: When was the last time Congress was in session and voting between Christmas and New Year's? The answer was, since 1970 there has not been such a session. And it has actually happened only four times in the history of our country, and two of those times were dealing with World War II.

So I think the enormity of the issue is very clear, and that is why we are here. I think we should have done this 6 months ago, a year ago. I think all of us agree we should not be here at this last hour still trying to negotiate a point at which so many Americans are going to be more heavily taxed.

I was pleased to see that the distinguished deputy leader on the Democratic side talked about the three areas we have to address, and deficit reduction is most certainly one of them because we are facing a ceiling of a \$16.4 trillion debt that is getting ready to be exceeded. So, yes, deficit reduction and entitlement reform are two areas we must address.

This country cannot continue to have Social Security and Medicare spiraling toward insolvency. We cannot do it. But it is going to take a bipartisan approach. It is not rocket science to see that we have a Democratic Senate, a Republican House, and a Democratic President, and that is going to be the same starting January 3 of next year for at least 2 more years. So we know what we are dealing with, and I think it affects us right now in the fiscal cliff negotiations because we are not going to do anything unless it is bipartisan. We will not be able to pass anything in the House that does not have significant Republican votes in the Senate, and the Democrats in the Senate are not going to be able to support something that will not require some votes of Democrats in the House.

So we are together—maybe it is like a dysfunctional family, but we do have to work together because without bipartisanship, nothing is going anywhere. Therefore, I think you have to go back to negotiations 101, which is that someone in a negotiation has to win some and lose some. The other party in a negotiation has to win some

and lose some. The President is not going to get everything he wants. The Republicans in the House and Senate are not going to get everything we want, nor are the Democrats in the House and Senate.

So we have areas where we can come together, and I have seen it. All of us were talking in the last couple of hours about how we have talked to our counterparts on the other side of the aisle about what could bring us together, and there are very clear areas where we can come to an agreement.

We are not going to be able to negotiate all parts of what we must do to get our financial house in order. We are not going to be able to do tax reform in a comprehensive way, we are not going to be able to do the fixing of and reforming of our entitlement programs, and we are not going to be able to set all of the spending cuts we are going to have to do going forward right here in the next 36 hours. We cannot do it. That has to be done on a basis of determining after many hearings what our priorities are and what the ceiling on spending should be. We must set a ceiling. Is it 18 or 20 percent of gross domestic product? Is it some amount that goes down each year? That is the question that has to be decided after a lot of discussion next year.

But what we can do is avoid a fiscal calamity by not having the sequestration take place on January 2 at midnight—but make that for a very short term. It cannot be 2 years of a moratorium on sequestration because then we would not get to where we need to be in determining the priorities that will lower the rate of spending in this country. Our problem in this country is a spending problem, and with a \$16.4 trillion debt, more spending is not going to be the answer.

So let's look at a very short-term avoidance of sequestration because we do not want to disrupt our military when they have boots on the ground in harm's way. We would not do that. We would not do it on either side of the aisle. So we need to talk about some short-term sequestration avoidance but not a long-term one because there are things we can cut in the military budget that will not affect the equipment and the pay and the living conditions of our military. We can cut other things. So we have to be able to come to terms with not having sequestration but making it very short term.

I think it is clear the President has wanted to increase taxes on what he considers the wealthy. I disagree with the President on what is wealthy, and I hope we can come to terms. Even the President has said a \$400,000 threshold is something he could accept. Many on the other side of the aisle have said \$500,000 or \$600,000—\$400,000 or \$500,000 or \$600,000 is something they could work with. And if we do some other things, I believe we could come to a consensus—not something that we like because I do not think we ought to raise taxes on anyone, and I have cer-

tainly voted that way, but there is some area where we can have a fix that will keep us from having to go over this cliff and hurt so many people in this country.

I think it is so important that we look at the big-ticket items in a comprehensive way, knowing that we are going to have to do that next year. But there are things we can do right now. I do not know 1 person out of 100 here who wants the AMT to take effect and cause people who make \$33,750 to have to pay more taxes. I think we should do away with the AMT completely, but certainly it should not kick in at \$33,750. We need to fix it, and I think everybody here agrees we need to fix it.

The distinguished deputy leader was talking about the death tax. Now, he does not think we should fix the death tax. I certainly do. If we go to a \$1 million exemption and a 55-percent tax, I think that is going to hurt family-owned businesses, it is going to hurt farms and ranches, and it is going to hurt the people who work for those family-owned businesses. Why is that? It is because the value of farms and ranches, which is land, does not have a revenue stream that allows you to pay the tax. So what do you have to do? You have to sell an asset, but you cannot get the full valuation that is put on it. You cannot do it. I have owned a manufacturing company, and I can tell you, you cannot sell the equipment for the value that is put on that piece of equipment. So what happens to a family-owned business? They end up having to sell at pennies on the dollar to pay the tax, and people are put out of work. Is that really what we want?

The exemptions we have now are \$5.1 million and a 35-percent rate. It would go to \$1 million—in 36 or 48 hours—\$1 million and a 55-percent rate. And remember, the death tax is a tax that has already been paid again and again and again. It is a tax on the value of the equipment or the land that has already been taxed with a property tax or a sales tax on the equipment.

So there is a reason to have some accommodation in the death tax so that we will not face more unemployed people who worked for a family-owned business or farm, and if it is not the No. 1 issue of the Farm Bureau of this country, it certainly is in the top two or three because they know—they know—what it is like to have to sell land at a value that is not realistic and pay a tax. And a 55-percent tax is pretty confiscatory.

So I do hope we can come together on a bipartisan basis because if we do not come together on a bipartisan basis, nothing will get done, because we have the House that is looking to the Senate, which is supposed to be the adult in the room, and they are looking at us to see how the votes turn out, and we need a large majority on both sides of the aisle to send to the House something that has a firm stamp of approval of this body.

We need the President to be a player here as well. I am encouraged that he

is now talking to our leaders and hopefully being constructive. And certainly our Vice President, who served in this body for so long, does understand the importance of the one-on-one talks, and he is talking to, I know, our leader and most certainly the Democratic leader as well.

So the hour is getting late, both figuratively and literally. We do not have much time to settle an issue that will affect the economy of this country.

Last but not least, I am sure the President does not want to have a calamity like this happen on his watch. And I do not want, on my watch, as one who is leaving the Senate this year, for this to be the last thing that happens on my watch. I do not think anyone here is going to benefit from a calamity happening in this country's economy—even for a few days—because it just looks as though we cannot govern.

It is time to realize that on a bipartisan basis we can do some things that will not be universally liked. It will not be liked by everyone in this room because we are not going to get everything we think is right. But we can move our country forward. We can help everyone in this country, every taxpayer.

But we are not going to raise taxes to spend more. We should be saying, OK, if there is going to be a threshold that pays more taxes, we should know it is going to bring down the deficit. That is a very important point that we hope will be determined at the end of this road in 36 to 48 hours.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

DEFENSE APPROPRIATIONS

Mr. SCHUMER. Mr. President, I am pleased that on Friday, December 28, the Senate passed H.R. 1. I would like to outline some of the goals that I and many of my colleagues from New York have for this legislation. As you know, the Senate Appropriations Committee under the leadership of the late Chairman Inouye and now Chairman MIKULSKI, has put together a very robust and flexible bill that will help many victims of our damaged States, from housing to small business to transportation. The depth of the devastation to New York was significant—some estimate nearly \$100 billion in damage.

When I saw whole neighborhoods in my State washed away, it was clear that significant Federal disaster funding was necessary. Although it has been 2 months since Hurricane Sandy ravaged New York, I am pleased the Senate has passed H.R. 1, with more than \$60 billion in Federal funding to