of sequestration, to resort to a budgetary gimmick.

They would use the Overseas Contingency Operation account to try and increase defense spending to the President's base level of $561 billion.

First, I believe we should just eliminate the sequester all together, and that means going to the Budget Control Act cap of $577 billion for defense in FY16. Second, using OCO as an escape valve as my Republican colleagues have suggested isn't sustainable. It is a gimmick and as we have heard in testimony, OCO funding isn't flexible as discretionary spending and could damage our long-term readiness.

General Odierno, Chief of Staff of the Army, made this point:

So first, I would just say there's a risk to not funding the base, in putting it in OCO, because with that has to come flexibility within OCO for us to spend it on the things that are necessary. So . . . because OCO has limits and it has restrictions, and it has very strict rules that have to be followed. And so if we're inhibited by that, it might not help us. What might happen at the end of the year, we have a bunch of money we hand back because we're not able to spend it.

General Welsh, Chief of Staff of the Air Force, made a similar point in describing the Air Force's need for modernization and how one-off funding through OCO particularly constrains its platform-based force.

That is not how we should support the greatest fighting force in history. This may seem to be a clever way to bypass the Budget Control Act, but it has real ramifications for our men and women in uniform.

Indeed, the problem with these approaches is that they don't work. And, it seems even Senator GRAHAM's amendment to boost OCO funding in the budget runs into technical difficulties. Indeed, it does not appear to do what it purports to do—to boost defense spending—because it fails to lift the actual OCO cap. Now, it is true that a budget resolution isn't law, but plays an important role in the process of governing and setting the rules for our appropriations process.

Now, I expect there will be an attempt to correct that on the floor, but we shouldn't be engaging in these diversions to begin with. We should be crafting a budget that is serious and acknowledges our economic and security needs.

So my colleagues and I are offering several amendments in order to demonstrate there is a better path and to address some of the glaring problems with this budget. However, as we have seen with Senator SANDER's reasonable attempt to provide $478 billion in transportation funding, paid-for by closing egregious offshore tax loopholes, my colleagues refuse to agree to the kind of commonsense proposals that I believe a vast majority of Americans would support.

But I hope my colleagues can join with me on some of these types of measures like ones to establish a budget point of order that will keep borrowing costs down for students; closing egregious offshore tax loopholes—which during our last budget debate was a bipartisan amendment adopted by voice vote; or lowering drug prices for seniors by letting the Secretary of HHS negotiate drug prices—indeed, it is particularly troubling that many pharmaceutical companies dodge taxes through offshore tax loopholes, but profit off of Medicare, and are legally protected from having to negotiate drug prices with the government.

We have a blueprint for responsibly managing the budget and meeting the needs of a great and growing nation. It requires a balance of cuts, which we have done already, and new revenue. And as we see demonstrated by the Republican budget, we cannot cut our way to prosperity—much less cut our way towards a balanced budget. And we all know that the best way forward is to promote broad-based economic growth so that millions of hardworking Americans and their families can have a brighter and stable economic future.

So I hope my colleagues on the other side will join with us in supporting amendments that put middle-class families and broad-based economic growth first.

MORNING BUSINESS

Mr. GARDNER. Mr. President, I ask unanimous consent that the Senate be in a period of morning business, with Senators permitted to speak therein for up to 10 minutes each.

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

TAX EXPENDITURES

Mr. HATCH. Mr. President, I rise today to correct the record on the matter of tax expenditures. Many myths have been created and reinforced by my friends on the other side of the aisle on the subject of tax expenditures. In my 4 years as ranking Republican on the Senate Finance Committee, I came to the floor several times to set the record straight. I am afraid I need to do it again today, this time as chairman. Today I will focus on the tax expenditures in the individual income tax. According to 2014 Congressional Budget Office data, the individual income tax accounts for 47.1 percent of Federal revenue. By contrast, the corporate income tax accounts for 11.9 percent of Federal revenue.

It boils down to three basic points. All points that can be derived from an objective, nonpartisan review of the data from Congress's nonpartisan official tax scorekeeper. I am referring to the Joint Committee on Taxation, of which I am the vicechair.

First point: Tax expenditures are not spending, with one exception. That exception is for refundable tax credits. They count as outlays under the Congressional Budget Act. Ironically, refundable tax credits are the policies my friends on the other side are most in favor of expanding. Just look at the slew of Democratic amendments filed to that effect. My Democratic friends erroneously describe most tax expenditures as spending. Yet they seek to expand the minority of tax expenditures which score as spending. Go figure.

Second point: The vast bulk of tax expenditures tend to distribute disproportionately to middle and lower Income taxpayers. A cursory examination of the Joint Committee on Taxation's annual tax expenditure pamphlet will lead an unbiased reader inevitably to that conclusion.

Third point: The vast bulk of tax expenditures are attributable to widely applicable tax benefits, like the charitable contribution deduction, mortgage interest deduction, and State and local tax deduction.

Mr. President, I ask unanimous consent to have printed in the RECORD an analysis of Joint Committee on Taxation data, performed by the Finance Committee staff.

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

[March 25, 2015]

Fact Sheet: Who Benefits From Tax Expenditures?

Tax expenditures are often portrayed as ''loopholes'' that disproportionately benefit the wealthy. However, examination of the facts reveals that many of the largest tax expenditures disproportionately benefit middle class Americans or those with income below $200,000.

According to recent (Feb. 2013) Joint Committee on Taxation estimates, those taxpayers with adjusted gross income exceeding $200,000 collectively pay 57% of the individual income tax burden. The remaining 43% of the individual income tax burden is paid by those taxpayers with less than $200,000 of adjusted gross income. The following summarizes how the benefit of various tax expenditure items is split between ''high income'' taxpayers with adjusted gross income exceeding $200,000 and the remaining taxpayers with less than $200,000 of adjusted gross income:

Mortgage Interest Itemized Deduction: 35% of the benefit of the mortgage interest tax expenditure goes to taxpayers with income exceeding $200,000. Taxpayers with income below $200,000 receive 65% of the benefit. By a ratio of almost 2 to 1, taxpayers under $200,000 benefit from it.

Earned Income Credit: The earned income credit is fully refundable. This means that taxpayers receive it in full whether they pay income tax or not. The earned income credit is phased out as earned income rises. High income taxpayers are not eligible to receive any benefit from the earned income credit.

Child tax Credit: This credit is also limited to lower and middle income taxpayers. Again, none of it goes to higher income taxpayers.

Charitable Contribution Deduction: Of all of the tax expenditures listed, at 57% this one distributes in the highest proportion to taxpayers above $200,000 in income. The tax savings benefit of the charitable contribution deduction is distributed to wealthy taxpayers in the exact same proportion as the share of total income taxes they pay. This result hardly seems unfair.

State and Local Income and Sales Tax Deduction: 55% of this broad-based deduction goes to high income families leaving the remaining 45% to middle class earners. High income taxpayers receive most of the benefit from this tax expenditure because they also pay most of the state and local income and sales taxes.

Tax-Free Portion of Social Security Benefits: Just 2% of the tax benefit from favorable tax treatment of Social Security goes to recipients with income exceeding $200,000.

Real Property Taxes: While some may say that only those with villas are taking the property tax deduction, 75% of the real property tax benefit goes to taxpayers with less than $200,000 of income.

Education Credits: Once again, 100% of the benefit goes to taxpayers with income under $200,000.

Medical Expense Deduction: 88% of this tax benefit goes to taxpayers with income under $200,000.

Child Care Credit: This is a modest tax credit targeted for taxpayers that incur child care costs in order to work. Like the child tax credit, it mainly benefits low and middle income families. 95% of the benefit goes to taxpayers with income under $200,000.

Student Loan Interest Deduction: This tax benefit is phased out as a taxpayer's income rises. All of the benefit goes to taxpayers earning less than $200,000.

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10 LARGEST TAX EXPENDITURE ITEMS

JCT ESTIMATED 5 YEAR (2012–2016) AMOUNTS

1) $707 Billion—Exclusion of Employer Provided Health Insurance and Health Care Benefits

Employer paid premiums for health insurance and other health benefits are generally not included in the employee recipient's taxable income and are also not subject to employment taxes. In addition, employees can usually pay for their share of employer provided health insurance and other health benefits with pretax earnings.

2) $649 Billion—Tax Deferred Retirement Savings Plans

Both employer and employee contributions to pension plans are generally excluded from taxable employee compensation. Earnings on pension plan assets are also tax exempt. Employees are taxed upon receipt of pension plan distributions. Taxpayers accumulate savings for retirement more rapidly with this benefit of tax deferral.

3) $596 Billion—Reduced Tax Rates on Long-term Capital Gains & Dividends

Recently enacted legislation has dramatically increased the taxation of both long-term capital gain and qualified dividend income for high income individuals. The tax rate for these high income individuals has increased from 15% to 20% beginning in 2013. This increased rate is lower than the maximum rate applied to ordinary income which is now 39.6%.

4) $402 Billion—Deduction of Nonbusiness State & Local, Income, Sales, Personal Property and Real Property Taxes

Individual taxpayers can deduct amounts paid for non-business state and local income, sales, real estate and personal property taxes as an itemized deduction.

5) $364 Billion—Deduction for Mortgage Interest on Owner Occupied Residences

Interest on home mortgage loans may be deducted. There is a $1,000,000 limit on the maximum qualifying loan amount and it can be used to carry up to two taxpayer residences. Interest on additional indebtedness of up to $100,000 is also deductible when such indebtedness is secured by the taxpayer's primary residence.

6) $320 Billion—Earned Income Credit

The earned income tax credit is designed to subsidize the wages of low and moderate income taxpayers. The credit is greatly enhanced when the taxpayer is also supporting children. This credit is fully refundable in the case of taxpayers that have no income tax liability because of other provisions in the tax system such as the standard deduction and personal and dependency exemptions.

7) $289 Billion—Child Tax Credit

Under current law taxpayers are entitled to a partially refundable tax credit in the amount of $1,000 for each qualifying child under the age of 17. The credit is phased out for high income taxpayers.

8) $240 Billion—Exclusion of Cafeteria Plan & Other Employee Fringe Benefits

Under current law an employer's qualified cafeteria plan allows employee participants to voluntarily reduce their otherwise taxable compensation so that the reduction can be used to purchase certain benefits such as health insurance and dependent care with before-tax earnings. Repeal of this provision would cause employees to purchase these benefits with after-tax earnings.

9) $236 Billion—Exclusion of Capital Gains at Death

Under current law the tax basis of property included in a decedent's estate is adjusted to fair market value on the date of death. Accordingly, the gain element in a decedent's appreciated property escapes income tax.

10) $225 Billion—Deduction for Charitable Contributions

Individual taxpayers can deduct gifts to qualified charitable organizations as an itemized deduction. When a taxpayer makes a gift of long-term capital gain property (i.e., appreciated stock) the amount of deduction is equal to the value of the gift. Accordingly, the capital gain in the gifted property is not taxed.

[March 25, 2015]

DEBUNKING THE MYTHS OF SO-CALLED TAX EXPENDITURES

Some in Washington have claimed that eliminating tax expenditures is the same as getting rid of wasteful spending or closing unwanted loopholes. The reality is somewhat different. Middle-class families would hardly agree that incentives to save for college and retirement or to buy a home are loopholes. Here's a closer look at the myths of tax expenditures:

Myth: Tax Expenditures Are Spending.

Fact: The federal government cannot spend money that it never touched and never possessed. Tax expenditures let taxpayers keep more of their own money. And only by the public consent is the government permitted to take some of it in taxation to pay for certain public goods. When tax hike proponents say we are giving businesses and individuals all this money in tax expenditures, they are incorrectly assuming that the government has that money to give in the first place, when in fact it does not. To the contrary, the government never touches the money that a taxpayer keeps due to benefitting from a tax expenditure, whereas with spending, the government actually collects money from taxpayers and then spends it.

Another difference between tax expenditures and spending is that reducing or eliminating a tax expenditure without an offsetting tax cut to reach a revenue neutral level will cause the size of the federal government to grow, while reducing or eliminating spending causes the size of the federal government to shrink.

Myth: Tax Expenditures are Loopholes.

Fact: This is deliberately inaccurate. A loophole is something that Congress did not intend and would generally shut down, at least going forward, once it learned of the loophole. Tax expenditures, by contrast, were generally placed by Congress into the tax code deliberately. For example, the largest tax expenditure is the exclusion for employer-provided health insurance and benefits. The second-largest: the home mortgage interest deduction.

Whether you agree with a particular tax expenditure or not, an honest debate requires recognition that tax expenditures were designed by Congress with economic or social goals in mind and are not inadvertent loopholes.

TRIBUTE TO RICHARD F. CHOVANEC

Mr. HATCH. Mr. President, I rise today to recognize a dedicated public servant for his exemplary service on the Senate Finance Committee. Richard Chovanec will return to U.S. Customs and Border Protection after 3 years of service as a detailee on my staff.

During his tenure, Mr. Chovanec was instrumental in crafting the Trade Facilitation and Trade Enforcement Reauthorization Act of 2013 that I introduced with former Senator Max Baucus during the 113th Congress. This legislation would codify the important work that U.S. Customs and Border Protection does to facilitate trade, protect intellectual property, and enhance our economic security. I hope Mr. Chovanec's contributions will ultimately lead to successful reauthorization of the agency as we continue to work on this legislation.

Mr. Chovanec earned a bachelor's degree from Virginia Tech and a law degree from the College of William and Mary in Williamsburg, VA. He later joined U.S. Customs and Border Protection as an attorney-advisor in the Office of International Trade. He concurrently serves as an adjunct professor of law at Georgetown University in Washington, DC.

I would like to wish Mr. Chovanec the very best and to thank him for his exemplary service.

TRIBUTE TO MARILYN CORMIER

Mr. LEAHY. Mr. President, tucked away in the mountains, hills, and valleys of Vermont is a widely recognized, vibrant college campus that also happens to be my alma mater—Saint Michael's College. To students, faculty, staff, and alumni alike, the Saint Michael's community is almost like a family: once you become a part of it, it becomes part of your life. Later this year, one of our campus's family members—Marilyn Cormier—will leave the grounds of Saint Michael's, retiring after nearly 33 years of dedicated service to the college. Marilyn is known to many, and all who have worked with her have admired her tenacity, her love for Saint Michael's, and her commitment to the institution she has called home for over three decades. I will miss her.

In 1982, Marilyn traveled halfway around the world from her home in Sri