The SPEAKER pro tempore (Mr. GOODLATTE). If the gentleman will suspend. At this point the Chair is merely not responding to an anticipatory parliamentary inquiry. The Chair will rule at the appropriate time.

Mr. MFUME. When is the appropriate time, Mr. Speaker? When is the appropriate time?

The SPEAKER pro tempore. The appropriate time is upon final passage.

## GENERAL LEAVE

Mr. ARCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks, and include extraneous material, on H.R. 1215, the bill about to be considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

## CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995

The SPEAKER pro tempore. Pursuant to House Resolution 128 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1215.

□ 1501

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1215) to amend the Internal Revenue Code of 1986 to strengthen the American family and create jobs, with Mr. BOEHNER in the chair.

The Clerk read the title of this bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Texas [Mr. ARCHER] and the gentleman from Florida [Mr. GIBBONS] will each be recognized for 1 hour; the gentleman from Ohio [Mr. KASICH] and the gentleman from Minnesota [Mr. SABO] will each be recognized for 30 minutes; and the gentleman from Virginia [Mr. BLILEY] and the gentleman from Michigan [Mr. DINGELL] will each be recognized for 30 minutes.

The Chair recognizes the gentleman from Texas [Mr. ARCHER].

Mr. ARCHER. Mr. Chairman, I yield myself such time as I may consume.

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Chairman, I am proud to support this bill which may be the most concrete sign yet that the voters have ended 40 years of Democrat control over the House of Representatives. Just 2 years ago, the Democrat Congress passed the largest tax hike in history. Under the Democrats, tax increases were the answer to every question. In this bill, we proudly bring to a close the era of raising taxes on the working people of this country. When this bill is passed, the tax raising legacy of President Clinton and his party will officially be over.

It gives me great pleasure to look the American people in the eye and say, the days of tax and spend are over. The days of smaller Government and less taxes are at hand.

This is a bill to cut taxes. The tax cuts are fully paid for, as we promised they would be—and—in addition—we reduce the deficit by $30 billion more than President Clinton's budget.

The baseball strike is behind us, Mr. Chairman, and this bill is the first home run of the new season. We cut spending, we cut taxes, and we reduce the deficit. Washington, DC's old conventional wisdom said it couldn't be done. The mavins of the media were saying just this week, well, you don't have the votes, do you? Well, stand back because we're doing it—just as our Nation's Governors have done it in many States.

We signed a contract with the American people pledging to reduce the size of Government and let the American people keep more of their hard-earned dollars. With this bill, we are again keeping our promise.

Our tax cuts can be summarized in three words: family, children, jobs. Our tax relief package will help America's families, and it will create better jobs for those families to head off to every morning.

Over the next 5 years, the Federal Government will spend $9 trillion. Our cuts—$189 billion—represent just 2 percent of Federal spending. The Federal Government is too big, it spends too much, and it's about time we cut it down to size.

These tax cuts coupled with our pledge to get to a balanced budget will mean that when we get there, the government will be 2 percent smaller yet.

In our bill, 76 percent of the tax cuts go directly to families and the other 24 percent go towards job creation.

We bring tax relief to 42-million families through a $500 per child tax credit, 20-million people benefit from marriage penalty relief, and 7-million Americans will enjoy a new IRA known as the American Dream Savings Account. We provide adoption tax credits and we provide credits for those who take care of their ailing parents.

We help 5 million seniors by repealing the punitive 85 percent Clinton tax hike on those who earn as little as $34,000; we increase the earnings limit so seniors—just like the energizer bunny—can go on working, and working and working—for as long as they choose; and we provide long-term care tax relief and accelerated death benefits.

Finally, we provide fuel for the engine that pulls the train of economic growth by cutting capital gains taxes, repealing the alternative minimum tax, and by changing and improving expensing for small business.

The Democrats, who never met a tax they didn't hike—will again go off the deep end complaining about tax cuts. I have a simple message for the Democrats. It is not your money. It is the taxpayers money. It does not belong to the Government. It belongs to the workers who earned it.

When it comes to taxes, the two parties have very different views. Democrats think people work to support the Government. Republicans think people work to support themselves.

Democrats think tax money is their money. Republicans think tax money belongs to the taxpayers.

Democrats think tax rates should start at 100 percent and anything less than that is through the good graces of the Government. Republicans think tax rates should start at zero percent and anything more than that is through the good graces of the people.

The bottom line is this. When the Democrats see someone in the middle of their American dream, they shake them, wake them, and tell them their dream can't come true. Their message is: If you make it in America we're gonna get 'ya.

Republicans, on the other hand, want everyone to have an American dream come true. We want to open up opportunities; we want the magic of free enterprise to give every American the opportunity to become a rich American; and we want success to flourish in a million places, unhindered by the heavy hand of big government.

Our tax cuts are fair, they are good for families, and they will create jobs. That is why they are the right thing to do and that is why I ask for the support of members today.

The Contract With America promised lower taxes and less government. And that's the promise this bill keeps. Every one of you who votes for this bill today is confirming that you meant what you promised to the voters in September of last year.

Mr. Chairman, I reserve the balance of my time.

Mr. GIBBONS. Mr. Chairman, I yield myself 1½ minutes.

Mr. Chairman, the gentleman from Texas [Mr. ARCHER] has just had a good time vilifying we Democrats. We believe there are times for tax cuts, we believe there are ways to tax-cut. We believe it is the wrong time to cut taxes now. This is the time to cut the deficit, not to cut taxes.

Mr. Chairman, I was here in 1981 and I want to just reminisce for a second and recall some of the things that went on in 1981.

In 1981, President Reagan was President, and his Office of Management and Budget Director Mr. Stockman appeared before the Committee on Ways and Means and he said this about the huge Reagan tax cut at that time:

> The combination of incentive-minded tax rate reductions and firm budget controls is expected to lead to a balanced budget by 1984.

Does anybody remember that that is when we began the huge deficit? Not to be outdone on that same day, President Reagan's Secretary of the Treasury Don Regan said this:

> If I know anything about the investing process at all, and I spent most of my adult career in that, I think we have a tremendous boom facing us as a result of what we are going to do today after we pass this tax bill.

Can anybody remember what happened? We had the biggest depression right after that, after that tax bill passed, that we had had since the 1930's. It is deja vu all over again. The same rhetoric, the same people.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. PORTMAN], a member of the committee.

Mr. PORTMAN. Mr. Chairman, after hearing the debate this afternoon, I think it is important that we back up a little bit and highlight the fundamental purpose of this tax relief bill. We are trying to strengthen the American family and yes, we are trying to encourage economic growth. That is what we are going to do with this legislation if we are able to enact it.

As the gentleman from Texas [Mr. ARCHER] told us moments ago, this new Congress refuses to be stuck in the old thinking, refuses to cling to the tax-and-spend policies of the past. Instead, it is simple. We believe in helping families and we believe in growing the economy through economic growth, not in growing big government.

History is a good guide here. In 1948, the average American family of 4 paid just 3 percent of their income to the Federal Government. My 1992 that Federal tax bill had increased to about 25 percent of family earnings. In 1993 Congress added to that by passing the largest tax increase in American history.

Common sense tells us that Congress has gone in the wrong direction. I would hope we would all agree on both sides of the aisle that it is fundamentally important for us to have economic growth, increase jobs and increase our global competitiveness. That is what this bill is all about. By eliminating the marriage penalty, by providing tax credits, by expanding IRA's, it encourages savings, savings we desperately need in this country and it encourages economic growth. Because it lowers the capital gains tax, relieves corporations from the obsolete burden of the alternative minimum tax, and permits small businesses to take tax deductions for needed investment, it will create jobs.

These and other changes will all enhance U.S. competitiveness, which we have to have in order to survive in the global economy of the 21st century.

□ 1515

For those who argue that cutting taxes is incompatible with our goal of balancing the budget, let me be emphatic: This bill is paid for, more than paid for, with spending cuts. I could not do it without this commitment. As the gentleman from Ohio, JOHN KASICH, said earlier today, this is actually the first step toward a balanced budget. This is the down payment.

Mr. GIBBONS. Mr. Chairman, I yield 4½ minutes to the gentleman from Michigan [Mr. LEVIN], a member of the Committee on Ways and Means.

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Chairman, this bill is not mainstream. This bill is extreme. This bill will not respond to the dreams of Americans. It is going to turn out to be a nightmare if it were to pass.

I was not here in 1981. I came here in 1983. I came here when Michigan was in a deep recession. I came here when unemployment rates were climbing to 17 percent in my State, 17 percent. There has been a lot of partisanship in this debate and a lot of rhetoric. I am not saying the 1981 act was the sole responsible cause of that recession. But it was part and parcel of it.

And here we go again. Here we go again. The basic thrust of this proposal is you cut taxes mainly for the privileged few, not only, but mainly, and everybody is going to benefit, and the deficit will disappear. That was the assumption in 1981 and now it is the assumption in 1995.

But what happened? The deficit skyrocketed. We know that, despite tax increases while I was here, that President Reagan supported to try to counteract what he did in 1981. The gentleman from Florida [Mr. GIBBONS] was here then for that experience. The gentleman from Texas [Mr. GONZALEZ] I see, and he was here, was forced to vote for tax increases because of the irresponsibility in 1981.

Do not say it helped the middle class. This chart shows what happened to incomes from 1973 to 1993, and it was not only because of the mistakes of 1981, but that was an important part of it.

What happened? This chart shows it all, it shows it all. Income stagnation for the middle class, income loss for low-income families, and who benefited? In those 20 years, 30 percent increases for the upper fifth percentile. I represent some of the upper fifth percentile.

I also represent those who are in the fourth quintile, and the third, and second, and the first. And I am not going to vote to help those in the upper fifth at the sacrifice of those in the lower fifth period, period.

It is bad, bad public policy.

So why are you doing it? You say the taxes are paid for. The gentleman from Florida [Mr. GIBBONS] referred to what was presented in 1982, and I read it. This is what was presented as the budget proposal for the fiscal year 1982. What will the surplus or the deficit be? Just 00.5. When you round it off, zero. That is what was said, and all your bill says is the same pledge has to be made.

It is not even a fig leaf, it is nothing.

So why are you doing it? I think in part because extremism does not learn by experience.

Second, because the moderates in your party on the Republican side have essentially lost their way and there is no such left. This may satisfy the contract, but it sure changes America.

This may be this crown jewel, rubies and sapphires for the privileged few. For the rest of America it is costume jewelry at best. Let us reject it. If we do not, I predict it will be dead on arrival in the U.S. Senate, but let us do our job here and vote no.

Mr. ARCHER. Mr. Chairman, I yield myself 1 minute just to respond to the gentleman from Michigan.

It is the same old story that we have heard. Figures do not lie, but, figures here can be so distorted. In 1981 there was a tax reduction. There were not the precise spending cuts that the gentleman from Ohio [Mr. KASICH] has insisted on and are in this bill. This will be precisely paid for, as confirmed by CBO figures. Not only that, but over and above the tax cuts it will reduce the deficit by $30 billion more than the Democrat President's budget proposal, by CBO numbers.

So the gentleman just is not on track with his figures.

Mr. GIBBONS. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. MATSUI], a member of the Committee on Ways and Means.

Mr. MATSUI. Mr. Chairman, I thank the gentleman from Florida, the ranking member of the Ways and Means Committee, for yielding me this time.

I think what both the gentleman from Florida and the gentleman from Michigan said was absolutely correct. I was here in 1981, and I would implore the Members of this House and this body to pick up the book by David Stockman, the Director of the Office of Management and Budget for President Reagan.

David Stockman, when he left the Office of Management and Budget wrote a book called ''The Triumph of Politics,'' and he said in that book essentially that they knew that they would not achieve a balanced budget by 1984, 3 years after they passed this massive tax cut; and, you know, Ronald Reagan said we are going to have a tax cut, we are going to increase defense and cut spending and balance the budget in 36 months.

That was smoke and mirrors, and everyone now admits it was smoke and mirrors, and we are playing the same smoke and mirrors game again.

There is no way in 7 years we are going to achieve a balanced budget from a $350 billion annual deficit today and give tax cuts in excess of $188 billion, and that is what we are talking about, $188 billion over the next 5 years; and over the next 10 years, even with the Republicans' own actuarial studies, it will cost $640 billion over the next decade. There is no way you are going to be able to achieve that result

with these tax cuts and balance the Federal budget at the same time.

The reason the Republicans feel comfortable and the reason this is probably going to pass today is they know the United States is not going to accept it because it is so extreme. Even Senator PACKWOOD said this is nonsense, they are not going to accept this. And so they have nothing to worry about, they are playing a little figment of imagination on the American public, and they are going to be able to go back home and say they passed these wonderful tax cuts that they know will never become law. Let me tell my colleagues, talking about this being paid for, they have $188 billion over 5 years. We do not even pay for it over 5 years. One of the first things is they have $10.5 billion in spending cuts on pensions. They could not even pass pension reduction out of their committee. That is why that bill did not come to the floor. The committee that has jurisdiction over this issue could not get a majority vote to pass it out. So that is a figment. There is $10 billion that they should subtract; they are unwilling to do that.

Then the $100 billion that they have of the $188, what happened there is the gentleman from Ohio [Mr. KASICH] the chairman of the Budget Committee, says he has got some illustrative cuts. Illustrative cuts. They are not in place yet. These are illustrative budget cuts he is talking about.

We will not see those maybe until the fall and who knows, let us see how courageous they will be in the fall of this year when they are going to have to cut over the next decade 100 billion dollars' worth of spending. That is the issue. And you know this is not a middle-class tax cut. I tell you, this is unbelievable, to consider this a middle-class tax cut.

We have Treasury Department numbers here. A family that makes between $30,000 and $50,000 a year, a family that makes between $30,000 and $50,000 a year under this proposal will get about a buck and one-half a day, about $560 a year. On the other hand, on the other hand, and listen to this, those that make over $200,000 a year, the middle class, will get $11,266 a year as a tax cut under this proposal. That is not a tax cut for working families, that is not a tax cut for middle-class families. And what is really frightening I think to the average citizen when they find this, if in fact this ever becomes law, is if we had huge deficits as a result of this misguided decision today, you will see interest rates go up, and what would you rather have, a $560 a year or buck-and-a-half a day tax break or would you rather have lower interest rates so you can buy a home or maybe your child can buy a home?

That is where your savings is, but interest rates will go up. I guarantee interest rates will go up if this ever becomes law.

But they know it will not become law. This is a little figment we are playing on the American public, but the reality is we should vote this down just to show we in this Congress, the House of Representatives have discipline, unlike what we are seeing on the other side of the aisle.

I urge a ''no'' vote on this particular bill.

Mr. ARCHER. Mr. Chairman, I yield myself 30 seconds.

There they go again, there they go again. Figures do not lie, but. Those were Treasury figures. They do not cite the Joint Committee figures that the congressional activities depend upon. The Treasury figures are so distorted that they are not credible. They were exposed as being noncredible in our committee when the Treasury witness was before us. Imputing rental incomes to somebody that owns their own home and saying that is income to you, this is ridiculous. These figures are just not credible.

Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota [Mr. RAMSTAD], a member of the committee.

Mr. RAMSTAD. Mr. Chairman, I thank the distinguished chairman for yielding me this time.

Mr. Chairman, for the first time in many American voters' memories politicians are keeping their promises. The new House majority promised tax relief, and we are keeping our promise.

The new majority promised to pay for our tax cuts and lower the deficit, and we are keeping our promise.

The new majority promised to create jobs. And we are keeping our promise.

One leading economist told the Committee on Ways and Means that 1.74 million new jobs will be created over the next 5 years from the capital gains tax cut. Economist after economist told the Committee on Ways and Means why we should reduce the capital gains tax.

As Allen Sinai put it, the capital gains tax reductions will ''stimulate economic activity, increase jobs, capital spending and capital formation, improve national savings, increase entrepreneurship and raise economic output.''

But, Mr. Chairman, even more impressive than all of these leading economists was the young 17-year-old in my district who came up to me recently after my remarks to his high school assembly. This young man, this young 17-year-old explained to me that he liked what I said about capital gains taxes. And I was a little bit more surprised, not used to this kind of a feedback from a 17-year-old high school student. I looked at this young man and I said, ''Do you mind if I ask you a question? Do you have any capital gains?'' He looked back at me and his eyes got about this big and he said, ''No, not now, Mr. RAMSTAD, but someday I hope to.''

Mr. Chairman, that is the kind of incentive we need to restore for all American taxpayers. Vote yes on H.R. 1327.

Mr. GIBBONS. Mr. Chairman, I yield myself 30 seconds, and hope the gentleman will not leave the floor. I hope that young 17-year-old gets a capital gains tax cut, but he would be better off playing the lottery. Only 8 percent of the American taxpayers ever win anything on the capital gains tax cut.

Mr. Chairman, I yield 3 minutes to the gentleman from Virginia [Mr. PAYNE], a member of the Committee on Ways and Means.

Mr. PAYNE of Virginia. Well, Mr. Chairman, here we go again.

Fifteen years after George Bush warned the Nation about voodoo economics, my friends on the other side of the aisle are at it again. They are trying to tell the American people that a 5-year, $188 billion tax cut is an important stop along the road to a balanced budget.

This time the American people know better. They know, as I do, that this tax cut bill is fiscally and economically irresponsible. They know that you can't get something for nothing.

The American people know their history. They saw the national debt climb from less than $1 trillion in 1980 to more than $4.7 trillion today.

Americans know that tax cuts did not balance the budget in 1981. And they know that tax cuts will not balance the budget now.

Our constituents understand what uncontrolled deficit spending means for the family budget. This year, the typical American family of four will spend $3,100 just to pay interest on the national debt. This is not their total tax bill. Nor is it their share of the total national debt. It is simply the amount of money they will spend to pay off the investors, many of whom are located overseas, who have purchased Treasury bills and other debt instruments of the U.S. Government.

The best way to help American families is to cut the deficit and to bring down the crippling interest payments that our constituents have to pay each year. This is the tax cut the American people want.

Mr. Chairman, just 2 months ago, Democrats and Republicans came together on this floor and made history when we passed a balanced budget amendment to the Constitution. We did so out of a shared belief that we cannot continue to saddle American families with a national debt that saps our productive capacity, stifles investment, and causes so much of our wealth to be used just to service the national debt.

In that debate, we heard a lot of very sincere speeches about fiscal discipline, about the need to make tough choices, and about our shared obligation not to burden our children and grandchildren with an ever increasing national debt.

So what happened?

Here we are just 2 months later, and the tough choice that we are being asked to make is for a tax cut that will cost $188 billion over 5 years, and that will explode in cost after the year 2000.

Mr. Chairman, this bill is not my idea of fiscal discipline.

It is not the kind of tough choice that a $4.7 trillion national debt cries out for.

And it will do nothing to save our children and grandchildren from the crushing weight of the national debt.

All this bill does is to repeat the age-old Washington mistake of borrowing from our children to pay for what seems popular right now.

For the sake of deficit reduction, and for the sake of a stronger economic future for all Americans families, I urge my colleagues to reject this poorly timed, irresponsible legislation.

□ 1530

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from New Jersey [Mr. ZIMMER], a member of the committee.

Mr. ZIMMER. Mr. Chairman, I thank the gentleman for yielding.

It is a sad reality that the average American family is earning no more today than it earned 20 years ago. This reality has led to frustration, it has led to pessimism, it has led to anger among middle-income Americans who are beginning to wonder whether, for the first time in our history, their children will not have a better life than they have had.

We Republicans are deeply concerned about the future of working Americans, but unlike the minority, we are willing to attack the cause of this problem. We understand that wages have stagnated in large part because we have a Tax Code that penalizes people who invest, people who save, people who take risks to create new jobs, good jobs. We tax capital gains at a rate that is higher than our competitors, and we tax capital gains that are attributable solely to inflation.

Even though it is quite obvious that a capital gains tax cut will help working Americans increase their standard of living, most Democrats hate it, because they are afraid that somebody who is rich might also benefit. To them, I would like to quote a Democratic Senator, JOSEPH LIEBERMAN, from Connecticut, who said:

> The argument of some Democrats against a cut in the capital gains tax—that the rich will benefit more than the rest of us—misses the point and is politically divisive. Lower- and middle-income people won't realize most of the tax savings for the obvious reason that they have less capital, but they could get something better: a job, if they have none, or a better job, if they are underemployed. After all, the whole idea of a capital gains tax cut is to induce people who have capital to move it into new investments that will make America more productive and competitive and benefit all of us with greater economic opportunity and security.

So said a wise Democrat, Senator LIEBERMAN.

Mr. GIBBONS. Mr. Chairman, I yield 5 minutes to the gentleman from Maryland [Mr. CARDIN], a member of the Committee on Ways and Means.

Mr. CARDIN. Mr. Chairman, I thank the gentleman for yielding me this time.

I oppose this tax cut at this time.

Yes, there are some good provisions in the tax cut proposal that help American families. I support some capital gains relief and AMT relief, but there are some very bad things in this bill as well, including the neutral cost recovery system, the raid on the Medicare trust fund, and the relief tilted toward the wealthiest Americans. But the fatal flaw in the tax bill before us is that we must make deficit reduction our first priority. Whatever tax cut we pass, we have to borrow money in order to give the taxes back to our constituents, and that borrowing of additional money will cost our constituents more money.

The Republican bill that is before us will cost the American taxpayer an additional $17.7 billion in debt service over the next 5 years in order to pay for the $188 billion of tax relief. The net impact on the deficit will be an increase in the national debt of $206 billion over the next 5 years as a result of the bill that is before us.

So let us look at the results during the first 100 days. If you take a look at the specific spending cuts that have been passed in the House so far and what is in the bill before us, if we assume that the welfare reform bill will pass the Senate without change, which is very unlikely, if we assume that the rescission bill will stay at $12 billion net savings, and that will not change, and that will hold during the entire 5 years, if you assume that the other provisions in this bill will be enacted, and if you take the specific tax cuts that are proposed in this bill, you find that what we are doing is increasing the deficit over this period of time.

The spending cuts which are in blue are far less than the tax cuts. Let me just give you 2 illustrative years. In 1998 the tax cut will cost the Treasury $35.6 billion, the spending cuts $29.2 billion, a net increase in the debt of $6.4 billion. But go to the year 2002. See what happens when you get a little bit further out, because of the way the tax provisions are worded. The tax cut will cost $87.7 billion, the spending cuts are $51.5 billion, for a net, a net increase in the deficit in the year 2002 at $36.2 billion. We have a major deficit problem. CBO has projected the deficit by the blue columns that you see here; it is scheduled to increase if we do not take action on deficit reduction. If we pass just the bills that have been passed so far in this Congress, in this House, if that is what we do, we are going to find the deficit larger rather than smaller during this period of time.

I do not think that is the record that we want to use. Many of these tax-cut provisions will get worse as time goes on.

Let me just give you one example. The neutral cost recovery system that gives businesses extraordinary write-offs raises $16 billion during the first 5 years, but costs $136 billion during the next 5 years when we do not score it, so we take advantage of revenue even though it is going to cost us billions of dollars and create a major problem for the future.

The contingency will not work. It is a gimmick, a sham. There is no question about it. The tax cuts are permanent. The spending cuts are only 1 years. We can come back and change, and do not think we will not.

Look at the history. Look at the Emergency Deficit and control Act of 1985; when that was passed, the deficit was $212 billion. In 1985 we were supposed to have a balanced budget. That was supposed to give us a balanced budget by the year 1991 with the sequestration, with enforcement.

What was the deficit in 1991? It grew from $212 billion to $269 billion.

We have the specific tax cuts. We do not have the specific spending cuts. That is why a bipartisan group today opposed this bill under the Concord coalition. That is why a group of business leaders told me yesterday to oppose this bill, do deficit reduction first.

The best present we can give our children and the future generations and the businesses and the growth in our economy is to cut the deficit.

Vote against this bill. Vote for deficit reduction. Vote for the future of our Nation.

Mr. ARCHER. Mr. Chairman, I yield myself 30 seconds.

Here we go again. Figures do not lie, but—the gentleman talks about deficit reduction. There is no Democrat plan before this House for deficit reduction that I know of. This is the only one, and CBO scores us at $30 billion more in deficit reduction than the President's budget.

I hope that the Democrats in their substitute and motion to recommit with instructions will show us a CBO score deficit reduction that is greater than is in this package.

Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. CRANE], the ranking Republican of the Committee on Ways and Means.

(Mr. CRANE asked and was given permission to revise and extend his remarks.)

Mr. CRANE. Mr. Chairman, I want to express appreciation to my distinguished chairman and to our colleagues who are in the process of making real significant, historic strides in turning around the direction that this country has been on in virtually all of the 25 years I have been here. We had a tax cut in 1981, the biggest tax cut in our history at that time, approximately, about $200 billion, and the fact of the matter is that that was the last time we had a tax cut.

We have done nothing in the intervening years but raise taxes, and paying taxes to the average middle-income family today accounts for 40 to 50 percent of their budget when you include taxes at all levels, Federal, State, and local. The tax burden has become oppressive. It has had a dampening effect

on the economy. I know of no economist who has ever attempted to advance the argument that by raising taxes you are promoting economic growth. Quite the contrary. You lower taxes and you promote growth.

The other thing that was significant about that tax cut in 1981 is that it more than doubled revenues to the Treasury in the decade of the 1980's. That one single tax reduction more than doubled revenues. It was the fastest revenue increase in our national experience, and it had a very positive effect in other ways, too, which created almost 20 million new jobs.

We have an opportunity here though to address more than just tax relief. it is the question of distribution of taxes.

According to the Joint Committee on Taxation, if you look at income brackets after the tax cut, those people in the highest income brackets will be paying a marginally larger component part of the total tax burden, and those people in the lowest income brackets will be paying a marginally lower percentage of the total tax burden.

I urge my colleagues to support this legislation and get this country moving in a forward direction.

Mr. Chairman, the last time I was on the floor of the House of Representatives to debate and vote on a substantial tax cut for the American taxpayer was in 1981. Since that time, Congress has raised taxes more times than I care to remember. In 1993, President Clinton and a Democrat Congress topped all the previous tax bills by enacting the single largest tax increase in the history of the world—literally. According to the Joint Committee on Taxation, the 1993 tax bill robbed the American taxpayers of a total of $240 billion over a 5-year period. Not surprising, not one Republican in either the House or the Senate voted for Clinton's tax bill.

For the American taxpayer, the 1993 tax bill may have been the last straw. And thanks to the American voter, the make-up of Congress was radically altered in the 1994 elections. For the first time in 40 years, the Republicans gained control of the House of Representatives. Republicans campaigned on the Contract With America and promised to change business as usual. We have kept our promises and we certainly have changed this House of Representatives. One of the key components of the contract is to give back to the American taxpayers some of their hard-earned dollars that Democratic Congresses have taken from them over the years.

The bill we have before us today would cut taxes by a total of $190 billion over 5 years. Some have called this excessive. In fact, it is rather modest, particularly when one considers that the $190 billion figure falls $50 billion short of cutting the amount of taxes raised in the 1993 tax bill alone—to say nothing of all the other tax increases we have seen in the last 12 years. Unfortunately, my colleagues need to be reminded of an important point—tax dollars do not, by right, belong to our Government. Some of my colleagues in this House seem to think that tax dollars are owned by Congress.

Let me remind my colleagues that tax dollars are owned by hardworking taxpayers, and Congress has a responsibility to ensure that any money it takes from the taxpayers is spent wisely. Unfortunately, we cannot say that Congress has spent tax dollars wisely over the last 40 years. Indeed, Congress has squandered billions upon billions of dollars. In my view, the only way to force the Federal Government to become efficient, to force it to return to the essentials, and to force it to eliminate the excesses that exist, is to restrict the flow of tax dollars to Congress—it is time to turn off the spigot. Only then will we be able to force Congress to live within its means. Only then will we be able to force Congress to stop spending money and stop mortgaging the future of our children.

WHAT THE BILL DOES

If you listened to the opponents of this bill you'd think we were increasing taxes. Of course, what this bill does is substantially reduce taxes for both individuals and businesses. The opponents of this bill have been screaming in righteous indignation over even the thought of reducing taxes. When you look at the actual contents of this tax legislation you begin to wonder where the opponents of this tax bill are coming from.

This bill does a great many good and necessary things for the overburdened individual and business taxpayers.

First of all, this bill helps American families. I have seen estimates that indicate that 40 to 50 percent of the typical American family budget goes toward paying taxes—Federal, State, and local. Specifically, 25 percent of the family budget goes toward paying Federal taxes. That is absolutely outrageous and it is no wonder that families are getting sick and tired of the tax burden they are shouldering, particularly when they see how their money is being spent by Congress. Families have been hit hard over the last few decades by taxes. The exemption amount for dependents, had it been indexed for inflation from the date it was created, should be worth over $8,000 today, instead of the $2,450 allowed in 1994. This bill attempts to modestly help families by providing a $500 per child credit. In addition, the bill creates the American Dream savings accounts which will provide families the opportunity to create an IRA with tax free withdrawals for retirement, education expenses, medical expenses, and first time home purchases. The legislation provides a credit for adoption expenses and reduces the marriage penalty. As a long time proponent of all of these efforts, and as the lead sponsor of the American Dream Restoration Act which contained nearly all of these three proposals, I can assure my colleagues I feel strongly about this portion of the bill. All these things are long overdue and will help families considerably.

The bill helps seniors as well. While Democrats have often tried to portray themselves as the protectors of senior citizens, in reality you will find that Democrat tax policies have hit senior citizens very hard. Our seniors have worked hard all their lives and they have paid taxes all their lives. Many live on fixed incomes and can ill-afford the continual tax hikes that have been heaped upon them by an arrogant Congress these past 40 years. Seniors deserve a break. This legislation offers them some hope. The bill repeals the increase in income taxes on Social Security benefits which President Clinton had pushed for in the 1993 tax bill. In addition, the legislation raises the amount seniors can earn before their Social Security benefits are reduced. This is referred to as the Social Security Earnings Limitation issue. Both of these measures will put more money in the pockets of seniors. In addition, the bill provides for a tax credit to taxpayers who provide custodial care of certain elderly family members staying in the taxpayer's home.

Finally, the bill gives the American business community a break. Although it is fundamental economics, I believe some of my colleagues need to be reminded of some basic tenets of the marketplace: First, businesses create jobs, and second, without employers you do not have employees. Anything we can do to ease the burden on business community, increase their ability to compete, and encourage investments in new business ventures will help create new jobs in this country. The best way out of poverty is opportunity—a job. This legislation reduces the tax burden on American businesses by eliminating the excessive, complicated, and inefficient section of the Internal Revenue Code referred to as the alternative minimum tax. Scrapping this insane system will go a long way toward putting American businesses on a competitive footing with businesses overseas. In addition, we reduce the rate on capital gains and index capital assets for inflation. I could write a book about the importance of this provision of the bill. I have been advocating reducing the rate on capital gains for years, and I have seen the benefits of doing so based on past experience. By reducing the capital gains rate we will not only encourage more capital to be invested but we also encourage capital to move freely. This will result in job creation. Moreover, the increased number of transactions will actually mean more revenue to the Treasury.

In short, this bill will create long term dynamic economic growth that will benefit all Americans.

THE CLASS WARFARE DEBATE

In the debate over this legislation, there are those in Congress who wish to divide our country and its people. These people wish to create class antagonism, and choose demagoguery over logic and reason. These people want to engage in class warfare. These are the social engineers of our society who still don't understand that socialism died of natural causes. These people think they have the perfect formula for deciding what the proper tax burden ought to be for various income groups. They believe that it is Government's responsibility to redistribute income. They apparently do not understand some of the basic concepts upon which this country was founded—freedom, opportunity, hard work, etc.

These people argue that the tax bill before us today caters to the rich—that it does not properly distribute the tax burden. Let me present some hard facts for these social engineers. According to the Tax Foundation, in 1982, the top 1 percent of income earners paid 19 percent of the taxes. In 1992, this group paid 27.4 percent of the taxes. In 1982, the top 10 percent of income earners paid 48.6 percent of the taxes, while in 1992, that figure rose to 57.5 percent. For both 1982 and 1992 the top 50 percent of taxpayers paid over 90 percent of the taxes. All this was before the 1993 tax bill which was specifically designed to take $114 billion from high-income individuals. Isn't this progressive enough? In fact, the tax bill we have before us today does nothing to change these percentages. Indeed, figures from the Joint Committee on Taxation

actually indicate that the top 1 percent and top 10 percent will pay a slightly higher proportion of the total tax burden after this bill is passed than they would if it were not passed. That ought to make the social engineers happy and they ought not be complaining.

Of course my point is that all this talk of tax/income distribution tables and class warfare is foolishness. This bill gives money back to the taxpayers. It does not discriminate. It is designed to encourage savings and investment. It is about reducing the size of Government.

CONCLUSION

Mr. Chairman, I could speak on this subject for a long time. However, let me simply say that this legislation is a most critical part of our Contract With America. Yes, we have brought this legislation to the floor of the House as we promised. But let us do even better than that. Let us pass this legislation with the goal of enacting into law real tax relief before the year is over.

Mr. GIBBONS. Mr. Chairman, I yield 6 minutes to the gentleman from Washington [Mr. MCDERMOTT], a member of the Committee on Ways and Means.

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Chairman, although both sides of the aisle strongly disagree on the merits of this bill, I think both parties will agree that in the last few days we have seen a truckload of statistics, charts, graphs, and surveys arguing for or against this tax cut plan.

However, there is one thing that both sides agree upon—that the Republican tax cut plan will increase the deficit by $189 billion. Worse still, the Republican majority is proposing that we pay for over half of this deficit increase with an I.O.U. for $100 billion. Not real money, but a promise to pay in the future.

No one knows what will happen in the future when the appropriators actually identify where the cuts will come from to achieve the $100 billion in savings.

We have before us a so-called illustrative list of proposed cuts by Budget Committee Chairman KASICH. I am sure that I am not the only Member of Congress who is dubious at best, about anyone's ability to mandate spending cuts.

If the Republican majority so firmly believes in this tax cut plan, why have they not come up with the specific spending cuts which they promised to identify for the American people? When President Clinton lowered spending caps 2 years ago, he did it to cut spending, not to give the money to the wealthy.

We have been down this road before. In 1981, Congress passed President Reagan's tax cut bill without any accompanying spending cuts. As a result, the deficit soared and we face the budget mess we are in today.

How many Members on the other side of the aisle remember that in 1981 the Reagan administration projected a balanced budget by 1984? Sound familiar? As Yogi Berra would say, ''It's deja-vu all over again.''

The Republican leadership is asking for a giant leap of faith. They are implicitly forcing Members to sign a second contract, not with the American people, but with the Republican leadership to vote for a budget reconciliation bill that has not been written and currently does not exist.

Unlike the recent rescissions bill which spared projects in key Republican districts, everything—including Social Security—will have to be on the table to find the $100 billion in real cuts.

In September you will be asked to vote for a budget reconciliation bill that drastically cuts programs and services in your district to pay for this wasteful tax cut bill. Many of you will have a lot of explaining to do.

The agreement by the Republican leadership to link the tax cuts to a balanced budget plan is toothless and misleading. This phony agreement allows the leadership to get their tax bill enacted without having to commit to any guaranteed deficit reduction.

There is absolutely nothing in the agreement that even remotely looks like an enforcement mechanism. This agreement makes it all too clear that it is more important to the Republican leadership to keep their political opiate—a promise of tax cuts—no matter how damaging the long-term consequences.

The unfairness of who gets what of this bill are too numerous for me to recite. No matter how you analyze this bill, families with higher incomes receive a disproportionate share of the total benefits from these tax cuts.

Chairman ARCHER knows this. That is why he is trying to change the focus of the debate from who receives the majority of the tax bill's benefits to what percentage of total income taxes are paid by the rich. Good try, Mr. Chairman, but it will not work.

The real issue today is not the total proportion of income taxes the richest 10 percent of the population pay, but how much of a tax benefit high income families receive under the contract when compared to current tax law.

Under the Republican bill, the rich get richer so it is logical that they will pay additional taxes on the extra money they earn. In contrast, a working class family that is not able to take advantage of all of the new tax breaks contained in this bill will simply not benefit nearly as much.

The majority of these tax cuts will not benefit working class Americans. Under the Republican theory of ''trickle-down-economics,'' working families will not even get wet.

For example, the richest 1 percent of Americans who make more than $267,000 will pay 18.23 percent of the tax burden under the contract, up 2 percent. But what Chairman ARCHER does not say is that those same families—the top 1 percent—will an average tax savings of more than $11,000 per year under the contract.

In contrast, the majority of American taxpayers whose incomes are less than $44,434 will pay 16.1 percent of the tax burden under the contract, a drop of 0.2 percent. But, these families only see an average tax savings of $760 or less.

That's right, the rich will get $11,000 in tax savings from this tax plan and the majority of Americans will get $760 or less in savings. Is this what the Speaker means when he talks about the ''opportunity society'' for the American people?

By voting for this bill with its fairy tale $100 billion I.O.U., the Republican rank-and-file have given up any remaining shred of independence they so briefly entertained last week.

They might as well give their voting cards to the Speaker and allow him to vote yes for them on passage of the budget reconciliation bill in September because after today they have no choice.

In September the voters back home will be wondering why they sent you here. Did they want you to vote your conscience or to play the childish game of ''follow the leader?'' Unfortunately, we have so few Members who do the former and far too many who do the latter.

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Mr. ARCHER. Mr. Chairman, I yield 3 minutes to the gentlewoman from Connecticut [Mrs. JOHNSON], the chairman of the Subcommittee on Oversight of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. I thank the chairman for yielding this time to me.

Mr. Chairman, I rise in strong support of this bill. It is a fine and necessary tax bill. First, it will make our economy grow more rapidly. Small business, the creator of most jobs, will gain the right to expense $30,000 worth of equipment, We all know that any small business can expand more rapidly if it can afford the equipment to produce its product. Expensing has long been the No. 1 demand of the small-business community to accelerate the pace at which it will be able to grow.

Estate tax law reform, home office deduction reinstatement, capital gains, all will help small business grow, prosper and create the jobs that America needs.

Second, this bill helps big businesses that compete in a very tough international market where you can not pass on new costs through higher prices. In Connecticut, one company invested $4 billion over the last few years in capital investment in manufacturing facilities in this Nation and paid higher taxes than other manufacturers who invested not $1 because of the alternative minimum tax. That is wrong. That is bad policy. That is anti-jobs. That is anti a strong economy.

Not only will this bill help build economic strength and create jobs, but it also helps families and seniors, and it takes a giant step toward health care reform. Young families are carrying a heavier burden in our society today than they have at any time in our history. Surely we can agree to give them this $500 tax credit per child.

Seniors have been disadvantaged by the tax hike we imposed on them a couple of years ago. This bill repeals that; it gives them tax relief, raises the earnings limit, so that those with low pensions can work without penalizing them $1 for every $3 they earn.

It also creates the long-term care partnership that protects our seniors and families from the catastrophic costs of long-term care and home care.

Is this a perfect bill? Absolutely not. I disagree with the Neutral Cost Recovery section. I want the $200,000 threshold lowered because I think it is better policy, fairer to all Americans. I think the solution in this bill to the underfunded Federal pension plans may not be the best, but there is no problem in this bill that is not entirely solvable as we move along.

And this bill is critical. Mark my words, it is critical to achieving a balanced budget. If we are going to achieve a balanced budget by the year 2002, that spending plan must not only enable us to provide the services we need in those years but also the tax policy we need to create jobs, to create economic strength and to assure a fair distribution of burden among the families and the seniors of America.

I urge your support of this bill.

Mr. GIBBONS. Mr. Chairman, may I inquire as to how much time remains on each side?

The CHAIRMAN. The gentleman from Texas [Mr. ARCHER] has 41 minutes remaining, and the gentleman from Florida [Mr. GIBBONS] has 34½ minutes remaining.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentlewoman from Washington [Ms. DUNN], a respected member of the committee.

Ms. DUNN of Washington. I thank the gentleman for yielding this time to me.

Mr. Chairman, my State of Washington is home to thousands of entrepreneurs, and home to Microsoft—now an economic giant but once launched by a pair of young entrepreneurs. We also have timber—an industry that once was robust and thriving, but now is facing difficult times.

For too long, our Nation's entrepreneurs have been penalized by the tax policy of the United States. Since 1986, when the business capital gains rate was raised to 35 percent, venture capital financing has dropped by two-thirds—from $4.19 to $1.41 billion—and the number of firms receiving venture capital financing has declined every single year.

Mr. Chairman, we must correct the current tax policy regarding capital formation. It we don't, we will be directly responsible when the next Microsoft never takes it off the ground.

Failure to act could bankrupt 1,200 small timber businesses, who typically own 50 acres and have an income of less than $50,000. For them, the capital gains reduction is a life or death matter. These small timber firms alone represent more than 5,000 jobs threatened by high capital gains rates.

Mr. Chairman, cutting taxes on capital is about jobs. Support capital formation, support entrepreneurs, support family businesses, and support more jobs for Americans.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 2 minutes to the gentleman from Louisiana [Mr. MCCRERY].

Mr MCCRERY. I thank the gentlewoman for yielding this time to me.

Mr. Chairman, the quote that I am given by my constituents back home is that, ''The Federal Government is too big and spends too much.'' I do not hear, when I go back home, ''I pay too little in taxes.'' Every Republican and many Democrats who were here 2 years ago voted against the Clinton tax increase. If 2 years ago you were against the tax increase, why would you not be now for giving back to the people about two-thirds of that tax increase? Instead of trying to create class warfare in America, let us talk about what is or is not sound tax policy.

For example, the House recently passed a historic welfare reform bill. Those who oppose welfare reform rightly asked the question: ''Where will the jobs come from for people who lose their welfare benefits?''

Well, this bill begins to address that question. There are a number provisions in this tax reduction bill which will encourage productive investment and creation of private sector jobs. Chief among them is the reduction in the capital gains tax rate. By reducing the tax on capital gains, we reduce the cost of capital; by reducing the cost of capital, we encourage investment, which increases productivity, which allows economic growth without inflation and which, most importantly for Americans who want to work, creates jobs.

This tax cut bill gives us a chance to go back in time 2 years and do now what Americans wanted us to do then: Cut spending first.

If you voted against the tax increase 2 years ago, then you ought to vote today to repeal most of it. Now is your chance to make right what you said was wrong 2 years ago.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. HERGER].

Mr. HERGER. I thank the gentlewoman for yielding this time to me.

Mr. Chairman, this legislation is a crucial step in a tidal wave of reform. Americans are fed up with paying more in taxes than they pay for their families' food, clothing and shelter Americans are fed up with seeing small business drown beneath a suffocating mass of Government regulation, and American taxpayers do not want the Federal Government to be the fastest growing employer in the Nation.

Mr. Chairman, in 1993, the Democrats voted for the largest tax increase in history, and they continue to support high taxes today.

This legislation pays for all of our tax cuts, and still lowers the deficit by $30 billion. In addition, this bill provides $189 billion in tax relief. Tax relief for families with children, tax relief for young couples beginning to save for their first home, and tax relief for senior citizens living on fixed incomes.

Moreover, Mr. Chairman, much of this relief merely gives back to citizens that which was taken away by President Clinton in the 1993 tax bill. The average Californian will save $1,761 a year in taxes if this bill is enacted into law—76 percent of these benefits going to American families.

Mr. Chairman, it is time that Washington realizes that income belongs to the worker, not to the Government. Congress must allow American workers to keep more of what they earn—we must also restore the free market incentive which drives our American dream, that same incentive which leads citizens to take risks and create jobs.

Vote ''yes'' on this bill.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentleman from Colorado [Mr. SKAGGS].

Mr. SKAGGS. Four trillion eight hundred seventy-three billion, four hundred eighty-one million dollars. That is the Federal debt. And we should be doing all we can to keep it from growing. The tax cut we are debating this afternoon will explode the debt by over a hundred billion dollars a year in the year 2005. Enormous tax relief for those who need it least. For hard-working middle class American families earning less than $75,000 a year, a pittance, 35 bucks a month. For a family over 200,000, a thousand dollars a month. Whose sense of equity is not offended by that?

Two months ago we were debating a balanced budget amendment. There were pious and sober speeches about the deficit and its burden on our kids. The same people today are supporting this budget buster. Where has their resolve gone?

Four trillion, eight hundred seventy-three billion, four hundred eighty-one million dollars.

With a debt like that we should not even be considering this bill.

Vote against a repeat of voodoo economics. Vote down this bill.

Four-trillion, eight-hundred seventy-three billion, four-hundred eighty-one million dollars.

That is the size of the United States Federal debt. It's shameful. And we should be doing all we can to keep it from growing. Which is why, as much as I would like to cut taxes, I believe this is the wrong time for any tax cut, and certainly this tax cut.

But the tax cut we are debating today would, over the long term, increase that debt tremendously—by almost $100 billion a year in 2005. And it would do so by giving most of

the tax cuts to the wealthiest people in America. Speaker GINGRICH calls this bill the ''crown jewel'' of his party's so-called Contract With America. I suppose that's an apt label, for this bill surely would finance nice trip to Cartier's for folks who are already in furs.

The bill is, plain and simple, irresponsible. It will give enormous tax relief to those in our society who need it least. It will be paid for, however, at the expense of students and the elderly, and hard-working families for whom critical programs are decimated. And it will be at the expense of generations to come, who'll be burdened with an explosion of the deficit that's reminiscent of the early eighties.

Most Americans, those who are struggling to get by, would get only a pittance in tax breaks, an average of $35 a month to families making under $75,000 a year. Whose sense of equity isn't offended when you compare that to almost $1,000 a month in tax relief for those making over $200,000 a year?

This bill also gives huge tax benefits to big corporations and investors. Not enough attention has been paid to this aspect of the bill, probably because these tax breaks are written in a way that hides their true cost. Over the first 5 years, the big business tax breaks add up to $24 billion. In the next 5 years their cost balloons to $221 billion. Like an iceberg, nine-tenths of the cost hides under the surface of the 5-year budget horizon.

What are these tax breaks? Things like the repeal of the corporate minimum tax. This wasn't an original part of the so-called contract, but was slipped in after a successful lobbying campaign by a coalition of large corporations.

Never mind that the corporate minimum tax was supported by President Ronald Reagan. In 1985, the Reagan Treasury Department said, ''The prospect of high-income corporations paying little or no tax threatens public confidence in the tax system.''

And avoiding taxes they were. Prior to the corporate minimum tax, most of the country's largest and most profitable corporations often paid no Federal income taxes. How can anyone justify increasing the deficit, as this bill does, just to give the biggest corporation a pass on paying any taxes?

You will hear from many people today that this bill is paid for. Do not believe them. It's paid for only over the first 5 years, when the tax breaks are expected to cost $188 billion. What they won't tell you is that this bill was very cleverly written so that the costs are held down over the first 5 years, but nearly triple after that. The Treasury Department estimates that the full 10-year cost of these tax cuts will be $630 billion. That full amount isn't paid for. Any way you count it, this bill add hundreds of billions of dollars to the Federal debt. We can't afford it.

With the huge cost of this bill, and with the lion's share of benefits going to the rich, some of the more moderate members of the Republican party have been hesitant to support it. But there was no opportunity for Democrats to work with them to create a bipartisan, more balanced bill, because their leadership had to have it their way—leadership apparently concerned more with the symbolism and show of the contract than with substance, a leadership that reveals the emptiness of its commitment to deficit reduction.

But the moderate Republicans were right. They remember what happened the last time the Congress embraced an economic policy like this. It was 1981, and it was called ''Reaganomics'' or ''trickle-down'': huge tax cuts to the privileged few, more for defense, and an explosion of the deficit.

It took 12 years for the Congress and the President to correct the horrible mistake. That correction was made in 1993, with the approval of the largest deficit reduction package in history. Because of the measures we took, the Federal budget deficit this year—fiscal year 1995—will be $126 billion less than President Bush predicted it would be under his policies. That's a 40 percent reduction, and the size of the deficit compared to the overall economy has been cut nearly in half, to the lowest percentage since 1979. That's a good start. But there's much more to be done.

A little over 2 months ago, the House of Representatives voted to propose an amendment to the Constitution to require a balanced budget, that Congress and the President balance the budget. Many of the amendments' supporters gave pious speeches filled with concern about the size of the deficit and Federal debt. They spoke eloquently about the importance of ensuring that our children aren't saddled with a mountain of debt.

But today many of these same people will be voting to pass this budget-buster, this giveaway to the rich. Where has their resolve gone? Where is their concern over the mountain of debt that's left over from the 1980's? Why don't they want to fix the deficit problem first and give tax cuts next? And why would they support such an ill-conceived preference for the wealthiest taxpayers?

If this were the time for a tax cut, there would be a better alternative to this trickle-down, contract tax break bill. It's a more modest proposal that's being offered by Congressman GEPHARDT. The benefits are targeted at the people who really need a tax break, working families trying to send their children to school, working families trying to save money for retirement, people making under $100,000 a year. And if I thought we could afford to cut taxes now, this is the type of bill I'd vote for.

But I will vote against that, too. Reluctantly. Because I have a very large number that I can't get out of my head.

Four-trillion, eight-hundred seventy-three billion, four-hundred eighty-one millions dollars.

With a debt like that hanging over our heads, we shouldn't even be considering a tax break for the wealthy. The focus should be on deficit reduction. Vote against trickle-down economics. Vote against a free ride for large corporations. Vote down this bill.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 2 minutes to the gentlewoman from Kansas [Mrs MEYERS], the chairman of the Committee on Small Business.

(Mrs. MEYERS of Kansas asked and was given permission to revise and extend her remarks.)

Mrs. MEYERS of Kansas. I rise in strong support of this bill.

In the rhetoric about this tax bill opponents claim we are giving tax breaks to the rich. These critics are wrong, and they are not focusing on some issues in the bill that are good for small business. These provisions are not the major sexy prominent ones in this debate, but they are important to hard-working men and women who are creating 75 percent of the new jobs in this country, doing it through small business.

The Committee on Small Business met five times earlier this year to look at specifically those provisions in the contract of most interest to small business. Four of these issues: one, increasing the estate tax exemption from $600,000 to $750,000 and indexing that amount for inflation; two, increasing the expensing allowance for investment in new equipment; three, reducing capital gains taxes; and, four, clarifying the home office deduction are vital to small business. These provisions spur investment in small business and attract life giving capital.

The increase in the estate tax credit will allow more family businesses to pass from one generation to the next rather than be sold to pay the taxes. The home office deduction, restoring the home office deduction, is very important to millions of self-employed individuals in this country. Many of these self-employeds are those who turn the devastation of losing a job by being downsized out of a large company into an opportunity to start their own business and continue to support their families. Increasing the expensing allowance, particularly important to small business because of cash flow, will encourage small businesses to purchase equipment that can increase productivity and increase new jobs.

More persons gainfully employed means more tax revenues generated, fewer people on welfare and a more productive society. If the 6 million small businesses in this country which have more than one employee could each hire just one more person, unemployment in this country would be wiped out.

I urge support of this bill.

Mr. GIBBONS. Mr. Chairman, I yield 4 minutes to the gentleman from Georgia [Mr. LEWIS], a member of the Committee on Ways and Means.

Mr. LEWIS of Georgia. Mr. Chairman, I rise against this ill-conceived, ill-considered, and ill-timed tax proposal.

I have heard Speaker GINGRICH refer to this tax proposal as the crown jewel of the Republican contract. I could not agree more. Like the crown jewels, this bill is for royalty, it is for the truly wealthy among us. If you are middle class, if you are poor, you can look but you better not touch.

Just look at who gets the jewels. The truly wealthy, those 1 percent of Americans with the highest incomes, get over $20,000—$20,000. Many working families do not earn that much in a year.

A middle-class family gets less than $50 a month. The working poor do not even get $10 a month.

Where do the Republicans get the money to pay for their royal jewels? They rob poor Peter to pay Paul. The Republicans cut student loans, school lunches, summer jobs—they cut money for roads, schools, housing, and public

transportation. All to give the truly wealthy a $20,000 tax cut.

Instead of calling this greedy tax bill a crown jewel, we should call it fool's gold—because for 90 percent of America, that is what it is. For the price of wealthy America's tax cut, millions of children could continue to get school lunches. Countless students could receive their student loans. Hundreds of thousands of our elderly poor would continue to receive heating assistance, to keep them from freezing in the winter. And millions of teenagers would still have summer jobs, to keep them off the streets and teach them needed skills.

Why do we not invest in these people—the children, the workers, the students—our future? Because the Republicans want to give wealthy America a tax cut—a tax cut the rest of us cannot afford.

We have been down this dusty road before—George Bush called it voodoo economics. It is a road that led us to the record deficits we still struggle to overcome. It is a road that mortgaged our children's future. It is a road that we should never ever travel down again.

It is time to stand up for what we believe in. I ask my colleagues on the other side of the aisle to look within yourselves to muster the courage, the raw courage, to be true to your beliefs.

This is a bad bill. You know in your heart, in your heart of hearts, it is a bad bill. It takes from those who need, and gives to those who do not. We must stop pandering, we must stop offering tax cuts for political gain. As for me and my house, I will do what is right. I will say no to the false glow of tax cuts.

I say to my colleagues, the time is always right to do right. It is not—it never will be—time to return to the failed policies of the 1980's. To return to growing deficits, joblessness, and hopelessness. We can not go back. We must not go back. We will not go back.

I urge my colleagues to say no to the crown jewel of the Republican contract—to the tired and failed policies of the 1980's. Say no to fool's gold, say yes to America's gold—our children, their education, and our future.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. ENGLISH].

Mr. ENGLISH of Pennsylvania. Mr. Chairman, I have listened with interest today to this debate, and I found it on the other side to be disappointing. We have heard from a number of people on the other side that this is the wrong time to cut taxes, but I can tell you in my district in northwestern Pennsylvania we need tax relief, and we need jobs.

This bill helps small business, it helps manufacturing, and it improves the job prospects of working families. According to the McGraw-Hill study it would create 1.7 million jobs, and that is one of the strongest arguments for passing it today.

It helps with small business expensing. It helps the most dynamic sector of our economy by encouraging investment in equipment. It provides help to cash-starved firms that need to make investments to stay internationally competitive, and it allows workers to achieve a degree of productivity that ultimately will protect their jobs. It repeals the alternative minimum tax which is a relic of tax policy past that kills jobs. It imposes high taxes on firms that are actually losing money, and it hurts cyclical industries like manufacturing, disproportionately. It reduces their competitiveness by kicking them when they are down, penalizing companies that need to invest to recover. This provision is no longer needed in the tax law because we have repealed those provisions in the tax law that previously had created abuses that it was intended to correct. We repealed safe harbor leasing in 1982. We repealed the investment tax credit in 1986, and we have made fundamental changes in accounting and depreciation.

This bill would also make necessary reductions in the capital gains tax to unlock resources for investment. This tax change would free up capital for small business and entrepreneurs, providing the economy with seed corn, with new investment to build the economy of the future.

We need this bill, Mr. Chairman, and when we hear criticisms from the other side let us remember they voted for the largest tax increase in American history, and they support higher taxes today, and they have offered us no alternative.

Mr. GIBBONS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from New York [Mr. RANGEL], a member of the Committee on Ways and Means.

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. I say to my colleagues, congratulations, your contract obviously is going through. I never thought I would see the day when I would look and the other body would be trying to clean up this garbage that we are sending over there. But God is good. It may happen.

Someone said that we should really support this capital gains because it means jobs, jobs, jobs. Well, welcome to my district. Around this country we got congressional districts with 30, 40, 50, 60 percent unemployed, people without homes, without jobs, without hope. For God's sake, what water are you drinking so that I can come tell them that we are going to find the wealthiest Americans that have no problems and living in the luxury of this country, some of them we are even going to allow, to permit them to renounce their citizenship and pay no taxes, but we are going to allow them to get a 50 percent reduction on capital gains, not for themselves, not to get richer, no. We are doing this for jobs.

But at the same time we are doing this, the poor kids around this country that like to believe that a part of this American dream belongs to them, you are cutting out education, job training and opportunities for them. Indeed if they are minority, and they ever get to become an adult, and are seeking a job that has been locking them out, then we say if there is any chance that any affirmative action will be there for you, we will shatter it. If the kid did get an education, and did get some of the capital gains and wanted to play the capital gains game with you, we would say, ''Well, we don't like it, it's too big a deal, and it's a minority preference, so let's knock out that deal, knock out all preferential dealings with the FCC, unless, of course, we know someone that was involved with one of these deals.''

I say this:

You are having a ball, you are enjoying the fruits of victory, you are having a party. But America is going to wake up with this hangover because you cannot push this fraud on the American people in a hundred days. One day the people are going to wake up and find out that what you have tried to do is to dismantle the so-called New Deal that you hate so much to destroy the opportunity for the Federal Government to provide a safety net for people and to have anytime you're talking about welfare in this Congress that we would know that we are talking about just oil depletion allowance or rapid depreciation or investment tax credit. That kind of welfare continues to go on.

□ 1615

But the welfare of the American people that says that no child in this country should go without medicine, without food, should be hungry, whether or not the mother is married, these things now will be shuttled off to the Governors. Why? Because for 40 years we did not perfect the system of how we take care of the poor.

No, you are not getting rid of it to reform it; you are getting rid of it because you hate the word ''entitlements.'' You are saying if you are poor, if you are sick, if you are blind, if you are crippled, if you are disabled, that the Federal Government has no responsibility for you.

Those are the days of Roosevelt. Wine and roses. This is the day of capitalism. Give it to the rich. They know better how to create jobs. And if the Governors do not do it right, and they do not have to, if the governors do not allocate the money, and there are no mandates, if the governors run out of money and they cannot tax it, that is no big deal. Government never said you were promised anything. They die. They have poor in other countries. Why not this great Republic? And if the cities and the local governments cannot do it, you are speaking to them

where to go. Send your kids to the orphanage. Get them adopted. Go to Boys Town.

What has happened to the sense of feeling for our people, giving everyone opportunity? Let everyone dream that yes, they can cut coupons, but before they get to that, give them a chance to have a job. Do not be able to say that you are so mean-spirited that you think that just by cutting out people and dealing with the wealthiest of the people here, that you are doing the right thing. Because today we know that with the mistakes that we are making, if that other body does not correct it, we will have gone back 40 and 50 years in this great Republic. Do not let it happen just because you have discipline. Have common sense to go with it.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. BALLENGER].

(Mr. BALLENGER asked and was given permission to revise and extend his remarks.

Mr. BALLENGER. Mr. Chairman, I rise today in support of H.R. 1215. Today is a good day to be in the House of Representatives. Republicans made a promise to the American people embodied in the Contract With America and today's vote on the Tax Relief and Deficit Reduction Act of 1995 is the culmination of fulfilling that promise. We have the opportunity to vote on tax cuts totaling $189 billion over 5 years—simply put, we can give back money to the very people who earned it in the first place.

Cutting taxes will result in an expanded economy and increased job opportunities. But don't take my word for it. Here are concrete examples from four State Governors who have cut taxes in their states. Gov. William Weld, in a letter to the Speaker, states that Massachusetts has ''cut taxes nine times over the past four years'' resulting in tax revenues growing by over $2.2 billion during that period of time. Gov. John Engler of Michigan says that ''fifteen tax cuts in four years have turbocharged the state's economy to the best performance in a generation. While taxpayers are saving more than $1 billion annually, state revenues have continued to rise.'' Wisconsin Gov. Tommy Thompson cites tax cuts of more than ''1.5 billion over the past eight years'' resulting in an economy that created ''new jobs at nearly double the national rate and more new manufacturing jobs than any other state. The lesson from Wisconsin is clear: tax cuts help create jobs and opportunity for families and individuals.''

Gov. Christine Todd Whitman of New Jersey is working on a 30 percent cut in State income taxes over three years and is well ahead of schedule.

I ask you, what is wrong with letting taxpayers keep more of their money to spend as they see fit, perhaps provide for their children's or grandchildren's college education, pay for a family vacation, invest in an Individual Retirement Account, or just pursuing their own version of the American Dream? Let us do for America what these Governors have done for their states.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 1 minute to the gentleman from Florida [Mr. WELDON].

Mr. WELDON of Florida. Mr. Chairman, I rise in support for family tax relief. The rhetoric coming from the other side of the aisle does not match up with the facts.

A case in point: I received a phone call last week from Christine, a constituent in my district. She is a single mom with a 7-year-old son who called to urge my vote in support of the capital gains tax relief. It seems that she is selling a home and that she needs the additional income from our tax relief to help her provide for herself and her son.

Now, Christine is not rich. Yet existing capital gains tax laws severely penalize her. This bill means that Christine will keep more of her money.

In addition to tax relief provided by the capital gains reduction, this bill's child tax credit will let her keep another $500 of her income.

Mr. Chairman, it makes for good rhetoric and heightened class warfore, but his does not add up. Support this bill. This is a good bill.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 1 minute to the gentleman from Michigan [Mr. SMITH].

Mr. SMITH of Michigan. Mr. Chairman, I thank the gentlewoman for yielding.

Mr. Chairman, I am so excited that we are reducing part of the taxes, reducing $190 billion of taxes, to help offset the $250 billion tax increase that we had a year and a half ago, and we are doing it in such a way as to expand and encourage jobs in this country.

Let me just briefly show you this chart of how the United States charges our businesses that buy that machinery and equipment.

Our marginal tax rate is 28 percent compared to France, 18 percent; Germany is exempt. We are penalizing our businesses that buy those tools and put the best tools in the hands of our workers. If we give American workers those kinds of tools and those kinds of facilities, we can out produce anybody in the world.

Mr. Chairman, that is what makes jobs. We produce a product that people in this country and all over the world want to buy, and we produce it at a competitive price. To do that, we have got to give our workers the best possible tools.

Mrs. JOHNSON of Connecticut. Mr. Chairman, I yield 2 minutes to the gentleman from Georgia [Mr. COLLINS].

Mr. COLLINS of Georgia. Mr. Chairman, I thank the gentlewoman for yielding.

Mr. Chairman, this tax relief bill will give something like $4.5 billion of tax relief to the people of Georgia, and I am proud to be standing here in support of it. Four and one-half billion dollars of tax relief for Georgians.

For the last several months we have heard opponents claim that the Contract With America is against children. They claim the welfare bill and this tax bill are antifamily and antichild.

Well, Mr. Chairman, our opponents are wrong, and they know it. The truth is that every legislative component of the Contract With America is designed to benefit all Americans, individuals, families, and especially children.

The Contract With America, and specifically this tax relief legislation, is 100 percent proresponsibility, profamily, and prochildren.

This legislation contains a new American dream savings account that reduces tax penalties on those that save money and use those savings for education, medical costs, and home purchases. It is profamily and prochildren.

This legislation reduces the marriage penalty, making it profamily and prochildren. It provides $5,000 tax credit to help thousands of families overcome the financial obstacles of adoption. It is profamily and prochildren. It provides an increase in the exemption allowed for State taxes so that farms and small businesses started by families can be passed from one parent to child without destroying those assets. It is profamily and it is prochildren.

It provides 50-percent capital gains deduction for individuals. This means that the tax penalty on a family's home or property is reduced so an individual or family can afford to sell that home or property without losing so much to the Federal Government, creating more financial security for that family and their children. It is profamily and prochildren.

It gives a $500 tax credit to families with children under the age of 18. It is profamily and prochildren, and I urge its passage.

Mr. GIBBONS. Mr. Chairman, before the gentleman leaves the floor, I yield myself 30 seconds.

Mr. Chairman, if this is so profamily and prochildren, why in the world did the Republicans introduce two bills that give it to all the children, but then finally in this bill they brought to the floor start cutting children in families of under 50,000, and under 25,000 all the way out of this family and correction credit. If it is so profamily, why did they do that?

Mr. Chairman, I yield such time as he may consume to the gentleman from Indiana [Mr. VISCLOSKY].

(Mr. VISCLOSKY asked and was given permission to revise and extend his remarks.)

Mr. VISCLOSKY. Mr. Chairman, I rise today in opposition to the Republican tax-cut bill, H.R. 1215, because it would undermine deficit reduction efforts. I have always supported a balanced budget, and the responsibility to achieve this is not one that I take lightly. Over the years, I have frequently taken the political

road less traveled in the name of deficit reduction. Last month, I was one of only six Democrats to support the rescissions bill because I believe we need to start making tough spending decisions now. In January, I supported a constitutional amendment to balance the budget for the first time because I finally lost faith that the President and Congress have the resolve to balance the budget without being required to do so.

The bill we are considering today has confirmed my worst fears. We are cutting the taxes of the American people for the low, low price of $188 billion over 5 years. It is absolute folly to cut taxes for those making $200,000 to increase the deficit for those making $20,000 along with everyone else. The total cost of these tax cuts by the year 2002 will be $630 billion. The Republicans on the Budget Committee are now scrambling to come up with spending cuts—just to pay for the tax cuts. What ever happened to deficit reduction? What ever happened to balancing the budget? Why don't we just focus on eliminating the biggest drain on taxpayer dollars, the interest on the national debt. These proposed tax cuts aren't going give taxpayers a break, they are going to increase their long-term burden.

Nations, like families, have to plan for the future. As a nation, we have failed to plan. We have borrowed to achieve a false sense of security today, leaving the bills for our children to pay tomorrow. In 1994, alone, we spent $203 billion more than we had. This means that $783 was borrowed from every single person in America. Over the past 20 years, the average budget deficit has grown from $36 billion in the 1970's, to $156 billion in the 1980's, to the unprecedented $248 billion hole we have dug for ourselves so far in the 1990's. This irresponsible spending has resulted in a money pit so deep that this year's interest payment—$235 billion—will be larger than this year's deficit—$176 billion.

By providing $188 billion in tax cuts instead of deficit reduction, the Republican Party is charging every American—including every child—$43.51 in interest payments for every year over the rest of their lives.

The Republicans claim that the agreement they quickly slapped together to get enough votes to pass their tax bill will put us on a glide path to a balanced budget by 2002. However, no specific targets are set out in the agreement, and the language does not require the tax cuts to be rescinded if deficit reduction targets are missed. The bill requires only the development of a deficit reduction plan. Without setting enforceable targets, this bill will throw us into the same money pit as Gramm-Rudman I and II. If we pass H.R. 1215, we won't be on a glide path to a balanced budget, we will be on a slippery slope to more exploding debt, higher interest rates, and a shrinking economy for all Americans.

It is disastrous that the Republicans would increase the debt of the average American family in order to benefit creditors, whose special interest lobbyists carry increased clout in the new, reformed Congress. Under current trends, the interest on the national debt is estimated to consume an average of 15 percent of total Federal outlays and more than the 3 percent of the gross domestic product. This year alone, interest payments on the Federal debt will cost almost $940 per person—almost twice the $500 per child tax credit offered in this bill.

I urge opposition to H.R. 1215. If we want to give the American people a break, we should get serious about balancing the budget. A $188 billion package of tax cuts is definitely a step in the wrong direction.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. DOGGETT].

Mr. DOGGETT. Mr. Chairman, would it not be great if the Pollyannas and the supply-side ideologues were correct that the road ahead for America is paved with candy? I like candy as much as the next guy. I like tax cuts. They want to give a $500 tax credit per child? Why not $5,000 per child? Because somebody has got to pay for it, and we went down the candy road with them once before. It was sweet for the politicians that promised all the tax breaks. It was very sweet for the privileged few in this country.

But it turned out to be a toll road. And guess who had to pay the toll? Our children, to the tune of trillions of dollars of national debt because of this supply-side nonsense.

Now we have got a Federal deficit as far as the eye can see in the $200-billion-a-year range. The only way we are ever going to deal with it is by making tough choices, and tax cuts are not tough choices. They are the oldest gimmick in the book. In fact, as Ross Perot has said, they are a way for politicians to buy your votes, using your own money. In this case it is our children's money, and it is wrong.

Mr. ARCHER. Mr. Chairman, I yield myself 30 seconds.

Mr. Chairman, simply to respond to the gentleman, the gentleman knows this is not supply-side economics. This bill is paid for and more than offset with in excess of $30 billion of deficit reduction by CBO estimates. Remember CBO? That is where the President stood right here on this floor and said they are the accurate estimators. We are going to follow them.

Mr. Chairman, I yield 1 minute to the gentleman from Arizona [Mr. SALMON].

Mr. SALMON. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, before I begin to talk about my strong support of H.R. 1215, I cannot help but respond to a comment that was made about the safety net that supposedly we are cutting out. I might add this safety net is lined with flypaper. It is very, very difficult to get out of. In fact, it is a net, I am not sure it is a safety net.

Mr. Chairman, with the tax provisions in the Contract with America we are going to be passing I believe today, this bill is so important to the American people because it provides tax relief to virtually all Americans. It will create incentives for savings and investment. Not only will passage of this bill provide more tax fairness, but it will also stimulate growth in America's private sector.

I would like to speak specifically about the American Dream Restoration portion of H.R. 1215. I was a sponsor of this part of the bill along with the gentleman from Illinois [Mr. CRANE] and the gentleman from Iowa [Mr. NUSSLE] when it was introduced as part of the contract.

This part of the bill ease the marriage penalty that punishes men and women for getting married by making them pay more in taxes than if they had remained single. It creates a new IRA that will allow Americans to save for the purchase of a home, for education, for medical expenses, and for retirement. It will also provide working families with a $500 child tax credit.

Mr. Chairman, let us move away from the greatest American nightmare and move back to the American dream.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts [Mr. OLVER].

Mr. OLVER. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, under this bill, the rich get richer, and the poor get more numerous. But that is what you would expect from Republican fiscal policies. This bill hides the fact that more than half of all the tax cuts under the legislation goes to two handfuls of our wealthiest Americans, two handfuls in percentages, of course. Under this bill, the benefits do not go to the middle class, which has been the constantly repeated lie along the way.

I just want to talk about one provision. Take one provision. President Reagan signed in 1986 a provision that made the biggest corporations in America pay at least a minimum tax. Now this is going to be repealed, taking $15 billion and giving it to the largest corporations, Anheuser-Busch, Coors, Boeing, du Pont, General Dynamics, PepsiCo and Texaco and Westinghouse and Xerox. That money is being taken from people who will become poorer because of this legislation.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. KIM].

(Mr. KIM asked and was given permission to revise and extend his remarks.)

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Mr. KIM. Mr. Chairman, I thank the gentleman for yielding time to me. I rise today in support of this bill.

I am getting tired of listening to this rhetoric about this bill is making rich people richer. Let me tell you about this marriage penalty tax that we passed last year under this omnibus budget bill we passed, which was the largest tax increase in our history.

Under that law many married couples face a larger tax burden than they would if they stay single.

Let me give you some specific examples. Two individuals making $75,000 each will pay an extra $2,000 marriage penalty tax to the IRS, if they get married. Let me give you another example, which is more a horrifying example. Two individuals making $15,000 each

with two kids for combined income of $30,000 would pay an extra $4,000 to the IRS. That is a marriage tax penalty.

That is enough to buy food for the kids for 6 months. In total, listen to this, a married couple would pay an extra $20 billion in penalty taxes to the Government next year. Nobody ever mentioned this.

This is ridiculous. We should be encouraging people to get married, not penalizing them by taxing.

I have a personal concern. I am married 33 years. This bill will fix that, will repeal this horrifying marriage tax penalty.

Mr. Chairman, I rise today to talk about one of the most important aspects of H.R. 1215: Tax relief for families.

Over the last several decades, one of the groups hit hardest by the increasing Federal tax burden has been the American family. The situation for families is grim: At the same time that economic conditions have made it harder and harder for families to make ends meet, the Government has taken a larger and larger bite out of family income.

For example, while the cost of raising children has gone up steadily—it now costs an average of $5,000 per year to raise a child—the tax break the Government gives families has declined rapidly. In fact, over the last 50 years, the value of the dependent exemption has decreased by more than 36 percent. The result is that families are now forced to spend less on their kids and more to support wasteful Government programs.

It is clear, then, that it is time to give a helping hand to American families. And we do not have to have some massive government bureaucracy—some Department of Families—to do it. In fact, the best way to help American families is very simple: Just let families keep more of their own money.

And that is exactly what H.R. 1215 does—it gets the Federal Government off the backs, and out of the pocketbooks—of American families.

The bill does this in four main ways:

First, H.R. 1215 repeals the so-called marriage penalty. Under current law, many married couples face a larger tax burden than they would if they stayed single.

For example, a married couple without kids making a combined income of $150,000 a year would pay an extra $1,912 in taxes due to the marriage penalty. A married couple with two kids making a combined income of $30,000 per year would pay $4,369 extra than if they were single. That's enough to buy food and clothes for their kids for 6 months.

Nationwide, the extra tax burden placed on married couples is substantial: Because of this inequity in the law, married couples will pay a total of $20 billion in extra taxes in 1996.

This situation is ridiculous. We should not penalize people for being married, especially when marriage seems to be becoming a thing of the past.

H.R. 1215 rectifies this situation. The bill makes married couples eligible for a tax rebate if their tax liability goes up as a result of being married. In doing so, this legislation eliminates the marriage penalty and restores tax fairness for married couples.

Second, the bill establishes a $500 tax credit for the home care of a parent, grandparent, or great-grandparent who is ill or infirmed.

I think we all have experienced the emotional and financial strain of caring for our elderly relatives who can no longer care for themselves. And yet, doing so is one of the fundamental obligations of the family.

H.R. 1215 would give families a helping hand in meeting this obligation. The bill would give families who care for elderly relatives at home a $500 tax credit to help offset the cost of that care. In doing so, H.R. 1215 would allow an additional 400,000 families to care for their elders at home—and keep their extended families together longer.

Third, this legislation would allow families to claim a credit of up to $5,000 for the costs of adopting a child. This needed tax relief will help reduce the financial barriers to adoption, the costs of which average between $10,000 and $12,000 per child.

It is estimated that this tax break would benefit more than 65,000 families nationwide—and will help thousands of children become part of healthy, productive families. At a time when it has become nearly impossible to find adoptive parents for thousands of children, I believe that this tax credit is essential. In a sense, this tax credit helps families in the most fundamental way possible: It helps families become families.

Finally, and most importantly, H.R. 1215 establishes a $500 per-child tax credit.

The $500 per-child tax credit will provide substantial tax relief for American families. In fact, this tax credit will reduce taxes on families with children by $105 billion over the next 5 years. This tax relief would be distributed to more than 30 million families across the country.

But let us put it in everyday terms: If H.R. 1215 passes, a family with two children could receive a $1,000 discount on their yearly tax bill. That's enough to buy food for several months, or clothes for a whole year.

Having raised three children myself, I know from firsthand experience how expensive it is to raise children. I can think of no better way to help American families than by giving them more money to spend on their kids.

And let me say a word to my colleagues who claim that, somehow, this tax credit is a giveaway to the rich:

I think that those who make this claim do not truly understand the value and importance of children. A child's worth does not change just because his or her parents make more money. The fact is that the $500 per-child tax credit is about helping children—all children. It is not about engaging in class warfare to score political points.

Even worse, those who engage in this class warfare argument have their facts wrong:

In reality, 75 percent of the tax benefits from the $500 per-child tax credit will go to families making less than $75,000 per year. 90 percent of the benefits go to families making under $100,000 per year. In other words, average, working families will receive nearly all of the benefits from the $500 per-child tax credit.

In sum, the tax relief bill we are debating here today is one of the most pro-family pieces of legislation Congress has seen in years. By eliminating the marriage penalty, helping families absorb the costs of adoption and caring for an elderly relative, and by giving parents more money to care for their children, H.R. 1215 will do much to help families make ends meet.

In a sense, H.R. 1215 is based on a revolutionary idea that hasn't been tried by Congress before: Let families keep more of their own money. In doing so, we can do more to help children and families than we have ever done in the past—without hiring a single new government bureaucrat or establishing a new government program.

So let us vote to give American families a helping hand. I urge my colleagues to support H.R. 1215.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentlewoman from Connecticut [Ms. DELAURO].

(Ms. DELAURO asked and was given permission to revise and extend her remarks.)

Ms. DELAURO. Mr. Chairman, I rise in strong opposition to this tax giveaway to the rich. We do need tax relief, but it should be targeted at middle-class families who have been working harder for less for far too long in this country.

The bill now before us does nothing to help working Americans. Households earning $200,000 are big winners. They receive an average tax cut of $11,266. Corporations are big winners. The alternative minimum tax is eliminated, but households earning under $30,000 would receive a paltry $124. Even this small break for ordinary people would be more than taken away through spending cuts.

Whatever break seniors get, they will pay back with as much as $400 billion in cuts in Medicare. And whatever breaks middle-class families get, they will pay back in higher college education costs because of $13 billion in cuts in student loans.

Do not be fooled. The American public should not be fooled. The rich and the powerful are the only winners in this very bad bill.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Texas, Mr. SAM JOHNSON, a respected member of the committee.

Mr. SAM JOHNSON of Texas. Mr. Chairman, I rise in support of America's families, who are all struggling to make ends meet.

For too long Washington has increased taxes and slowly eroded the ability of families to afford the basic necessities of life. It is absurd that the American families now pay more in taxes for food, clothing, and houses combined. High taxes are for what? Politicians can spend more; that is, for big government.

It is time to end this selfish Washington knows best attitude. This money does not belong to government. It belongs to you, the people.

This bill would provide tax relief to 35 million American families. Congress must realize that the people of America can handle their own money better than any Washington bureaucrat. Republicans know better that lower taxes mean more money in the hands of people who make the economy grow.

This means families have more money to spend, to invest, or save for the future.

Democrats have been raising taxes for so long, they truly do not know any other way to run the government. Some of our Democrat speakers even believe that the tax-and-spend policy has succeeded. But we all know what a failure it was. Taxes are destructive to families, to businesses, and to the economy.

Contrary to liberal belief, taxes do not discriminate by income. They hurt every family in America. It is unbelievable that Democrats still believe that people are not taxed enough. But then again, these are the same Democrats that passed the largest tax increase in history. They want to raise taxes again.

Listen to their rhetoric. It supports big government. It supports big spending. It supports more taxes, and they want your family to pay for their over spending.

Let us take a giant step forward today for our families, our children, and our Nation and vote for this bill and vote for tax relief.

Mr. GIBBONS. Mr. Chairman, I yield myself 30 seconds to respond to the last gentleman.

When I came to Congress, the Eisenhower administration had just left here. And the tax rate at the top was 94 percent. And all through the tax rate was much higher than it is today.

We Democrats, who have controlled the Congress ever since then, have reduced those rates from 94 percent down into the 30 percents. So the gentleman is just dead wrong when he says we did not reduce taxes in the Democratic administration. He does not know what he is talking about.

Mr. Chairman, I yield 3 minutes to the gentlewoman from Connecticut [Mrs. KENNELLY], a member of the Committee on Ways and Means.

Mrs. KENNELLY. Mr. Chairman, I rise in opposition to H.R. 1215. It is he wrong bill at the time, no matter how attractive the various pieces.

We know the macroeconomic reasons for being against this bill today. As Mr. Kiskanen of the Cato Institute has said: ''There's not a single part of this bill that I consider an improvement over the current system.'' He goes on to say that the bill would encourage additional investment in new equipment but does nothing to stimulate additional savings to finance it.

Robert Shapiro, another respected economist, says he doubts the Congress will find the $90 billion to pay for it. Henry Aaron is concerned about the widening gap between the haves and the have nots. Others worry about where the money to pay for the bill will be found. The bill is very specific on cuts in revenue—but oh so vague, about $700 billion, in cuts in discretionary spending.

Although the bill is called the American Dream Restoration Act, it will not be a pleasant dream for some, for instance, the blind. Although the contract includes a provision raising the Social Security earnings test to $30,000 a year for seniors, it breaks the current link in the earnings test between the blind and senior citizens. This link has been successful over the past 18 years in giving blind individuals the opportunity to be more productive members of society, and to support their families.

I had asked the Rules Committee to allow consideration of my amendment to provide the same earnings test for seniors and the blind by the year 2000. This amendment was not controversial. In fact, 161 Members are cosponsors of a complementary resolution that the link be maintained. This amendment would have been paid for with surplus funds on the Social Security pay-go scorecard. Unfortunately, the Rules Committee did not make my amendment in order.

I also want to focus on a little known fact: The contract would significantly reduce State revenues. A recent study of 15 States by the Institute on Taxation and Economic Policy indicates that just two provisions of this bill—depreciation and capital gains—will cost those States over $41 billion over 10 years. Why? Because 37 States use Federal adjusted gross income [AGI] as the starting point for computing State taxes. In other words, Federal AGI is the tax base in these States and as the contract reduces Federal AGI, it also reduces State revenues.

It is possible for States to avoid this loss of revenue by passing laws denying the Federal tax cuts for State tax purposes. This however, would require taxpayers to keep two different sets of books—an administrative nightmare.

My own State of Connecticut stands to see State receipts reduced by $1.64 billion—about $500 for every man, woman, and child in the State. This bill gives $500 per child, but they will get lost at the State and local level.

Mr. Chairman, it is one thing for us to debate how best to raise Federal revenue and how best to spend it. It is quite another for us to make these very fundamental revenue decisions for the State Governors. Especially at a time when we hear so much about the desirability of shifting decision-making back to the States, it seems high-handed, even unreasonable, to arrogate these decisions to ourselves.

Remember, these are just two provisions. How much will the other provisions cost Connecticut or your States? Passing the contract would create budget deficits in 37 States. This is just another unfunded mandate.

Oppose the bill.

Mr. ARCHER. Mr. Chairman, I yield 3 minutes to the gentleman from Kentucky [Mr. BUNNING], the chairman of the Subcommittee on Social Security of the Committee on Ways and Means.

(Mr. BUNNING of Kentucky asked and was given permission to revise and extend his remarks.)

Mr. BUNNING of Kentucky. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I rise in strong support of the tax cut bill that is before the House today.

In the last couple of weeks, there has been a lot of hot air and bluster about this bill. It has been interesting to hear the people on the other side of the aisle rant and rave about the unfairness of this tax bill.

It reminds me of my predecessor, Gene Snyder, who frequently referred to the howling wolves of liberalism. Today they are not howling, they are just whining.

Last night, during special orders, I heard one Member go so far as to call this tax bill, immoral.

Anyone who calls this bill unfair or immoral is not reading the same bill I have been reading.

I will tell you what is immoral and unfair. Immoral is a policy that penalizes senior citizens for saving for their own retirement. This bill fixes that existing policy.

Unfair is a policy that penalizes senior citizens for working. This bill fixes that existing policy.

Unfair is a policy that discourages people from buying insurance to take care of themselves in their later years. This bill fixes that.

This bill fixes all of these misguided policies.

This bill—which includes the Senior Citizens Equity Act which I sponsored—repeals the 1993 Clinton tax increase on Social Security benefits which so unfairly penalized people who managed to save and invest enough during their working years to supplement their retirement incomes.

This bill raises the Social Security earnings limit so that seniors who have to work or choose to work after retirement can make more than $11,280 a year and not be penalized. This bill will allow them to make thirty thousand dollars with no penalty. That is fairness.

This bill makes it easier for people to buy long term health care insurance so they can take care of themselves in their failing years. That is not unfair. It is sound public policy.

This bill makes it easier for people who are terminally ill to cash in their life insurance policies—tax free—to help them pay for their own medical bills. That is compassion and common sense.

This tax cut bill gives families a tax credit to help them take care of elderly parents and grandparents. That is policy that encourages individual responsibility.

This bill gives a tax credit to help defray the costs incurred by families who want to adopt a child. This bill will make it possible for more families to bring children into loving homes. That is compassion.

There is nothing immoral or unfair about any of these things. This is sound public policy. This tax bill encourages individual responsibility. It encourages people to work and save and to pay their own way.

Mr. Chairman, this is a good bill. The unfairness argument does not stick. It is time to do what is right and pass this measure and give the American taxpayer a break.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentlewoman from Georgia [Ms. MCKINNEY].

Ms. MCKINNEY. Mr. Chairman, the voo-doo policies of the 1980's should have taught us something about Reaganomics. Yet, here we go again, Republicans are going to cut taxes for the wealthy and pay for them with cuts to student loans and heating assistance for the elderly poor.

If you make $200,000 a year, Republicans feel your child is worth $500 dollars. But if you make $12,000 a year, your child is worth zero. We suspected this all along, but with this bill the Republicans have brought our worst nightmare to us live and in color. They go too far.

With this bill, the rich are going to make out like bandits, and at the same time, the Republicans are adding another $750 billion to the deficit over the next 10 years. Mr. Chairman, Republicans are so fond of saying that a rising tide lifts all boats. But what they really mean is that a rising tide lifts all yachts, while the working class homes on shore, get washed away.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Nebraska [Mr. CHRISTENSEN], a member of the committee.

(Mr. CHRISTENSEN asked and was given permission to revise and extend his remarks.)

Mr. CHRISTENSEN. Mr. Chairman, there is one issue that has been neglected in the debate over our tax bill: the issue of how this tax bill helps our nation's seniors.

Remember President Clinton's punitive tax hike on seniors? Remember when the Democrats decided that seniors living on fixed incomes as low as $34,000 were ''wealthy''? Well, our bill injects some sanity back into this debate by repealing the Clinton tax increase on seniors. It lets seniors keep more of their own money rather than forcing them to hand it over to the Federal Government to be squandered by spendthrift bureaucrats.

Our tax bill also helps seniors by reforming the social security earnings limit. Under current law, seniors between the ages of 65 to 69 can only earn $11,280 before the government begins confiscating $1 for every $3 they earn. When you include the FICA withholding tax and the federal income tax, low-income seniors face an effective marginal tax rate of 55.65 percent! That is a tax rate traditionally left to millionaires.

Unlike the Democrats, who once claimed that they wanted to see the earnings limit raised, we are doing what we said we would do by raising the earnings limit to $30,000.

These provisions, plus our long term care incentives, $500 Eldercare Tax Credit and the increase in the estate and gift tax exclusion, show that it is the Republicans that are looking out for the best interests of our nation's seniors.

In my State of Nebraska, over 34,000 seniors will benefit directly from our senior citizen tax reforms.

Not to mention how many thousands of other Nebraska seniors will benefit from our American Dream Savings Accounts, Spousal IRA's and capital gains reductions.

Let us not forget that it was the Democrats who passed the largest tax increase in American history. They oppose H.R. 1215 because they want to raise taxes again.

Here is a bill that helps out our nation's seniors, cuts taxes on all Americans, pays for those cuts and lowers the deficit by 30 billion dollars. Sounds like win-win public policy to me.

□ 1645

Mr. GIBBONS. Mr. Chairman, I yield myself 15 seconds to answer the gentleman's charge about the 15-percent increase on Social Security.

I will remind the gentleman that President Reagan—President Reagan raised the taxes on 50 percent of the income of Social Security recipients, versus 15 that the current President raised.

Mr. Chairman, I yield 1 minute to the gentlewoman from Florida [Mrs. MEEK].

Mrs. MEEK of Florida. Mr. Chairman, I thank the gentleman for yielding this time to me.

Mr. Chairman, first of all, I oppose very strongly the Republican fairness and deficit reduction bill. It is an oxymoron, because there is no fairness in this bill. Neither does it reduce the deficit.

The Republican majority's bill, which is said to reduce the deficit, is not doing it. You are just moving old wine around in new bottles, that is what you are doing, taking money from here and putting it over there. It is an old shell game. Each one of us who has been around long enough will know that.

I am a senior citizen. You are helping senior citizens one way and taking it away in another. Look what is happening with health care for senior citizens. No matter how much money we are giving them, if there is no health delivery system, we are still not helping them.

A lot of things they are doing here is made up of smoke and mirrors all put together in a consortium of fooling the American public that they are really doing something for them, when they are really not. What they are doing, we have a spectrum here, where we have on one side the very poor, in the middle we have the middle class, and then we have the upper class.

Do Members know who is getting all the money? The upper class. The poor middle class people in the middle are being left out. These cuts in vital programs are going to fund these tax cuts, things they are taking away from average Americans.

I must say, this 5-year budget plan that is supposed to reduce the deficit is not going to reduce the deficit, so do not go away from here thinking it is going to do that.

Mr. ARCHER. Mr. Chairman, I yield 2¾ minutes to the gentleman from Florida [Mr. SHAW], chairman of the Subcommittee on Human Resources of the Committee on Ways and Means.

Mr. SHAW. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I rise in support of helping this country's senior citizens continue to live their American dream. And I mean all senior citizens, Mr. Chairman, not just wealthy senior citizens. Since 1993, the Clinton tax hike on Social Security benefits has meant that a senior citizen who lives on a fixed income as low as $34,000 must pay income taxes on 85 percent of his or her benefits. This was a 70-percent income tax hike on Social Security benefits. Today, we are going to repeal this ill-conceived tax hike and reassure our senior citizens that this Congress has not forgotten the hard work they contributed to their country.

We are also not going to forget that many citizens over the age 65 have no intention of settling into retirement, or that others are in the situation where they must continue to work beyond age 65 because their fixed Social Security income does not provide adequate financial security. For these people we are offering to increase the amount senior citizens can earn before being taxed on the benefits they have already earned. The current earnings limit of only $211,280 punishes senior citizens by hitting them with an additional effective tax of 33 percent. This is not fair, and this is why we owe it to our senior citizens to gradually increase the earnings limit to $30,000 per year over a 5-year period.

Finally, Mr. Chairman, I support helping millions of Americans plan now to avoid potential financial hardships, later in life, by encouraging private solutions to long-term health care. One of the biggest fears of senior citizens is that they may lose most of what they own if they are confronted with a long-termillness. This fear will be felt by younger Americans when they reach the age of retirement. By allowing accelerated death benefits to be paid tax-free from life insurance policies, by providing employers with incentives to offer long-term care coverage, and by allowing tax-free withdrawals from IRA's and other pension plans in order to buy long-term care coverage will provide financial security to all Americans who worry about being able to take care of their long-term care needs.

Mr. Chairman, my main concern is for the well-being of this country's senior citizens. The provisions of H.R. 1215 speak of today will help empower

today's senior citizens, as well as tomorrow's. I encourage a vote of ''yes'' for this bill.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentleman from Indiana [Mr. ROEMER].

(Mr. ROEMER asked and was given permission to revise and extend his remarks.)

Mr. ROEMER. Mr. Chairman, last week we debated the Personal Responsibility Act. Today we are debating the Tax Irresponsibility Act. This bill is irresponsible for two reasons. First of all, this bill will cost over a 10-year period $700 billion; not million, billion dollars. Now, there is no free lunch, as we learned in the 1980's, and there is no free breakfast, lunch, and dinner. We have to pay for this.

The Republicans have it half right, in that they pay for some of these new tax breaks, but then they respend the money. They do not put it to the deficit.

Second, let us talk about fairness; not class warfare, but tax fairness. This bill repeals the corporate minimum tax. That simply states if you are a profitable company, you should pay some taxes. This bill gets rid of that and says to schoolchildren: ''We are going to take 50 cents from you out of that $1.10 lunch, and you are going to help pay for that tax break for the corporation.''

Let us get back to the days, in a bipartisan way, when the gentleman from Ohio, JOHN KASICH, and Tim Penny worked together to reduce the deficit in a fair manner.

Mr. ARCHER. Mr. Chairman I yield 1 minute to the gentleman from Arkansas [Mr. HUTCHINSON].

Mr. HUTCHINSON. Mr. Chairman, I am glad to rise in support of the tax relief bill. It lowers capital gains, raises the earnings limit on Social Security, provides an adoption tax credit, an elder tax credit, IRA equity, a $500 tax credit for children.

In short, it is a family-friendly tax relief bill. After all, the family is the fundamental unit of society. It is the guardian of our social fabric. It is the means by which our values are conveyed. Yet it is besieged, embattled. It is under attack by its own government. We could not have come up with a more anti-family public policy if we had sat down and devised such a plan.

It is not too much to expect that government be the friend, not the foe, of the family, so one critical step in turning this around is the passage of the $500 per child tax credit. It would shift power and money from Washington bureaucrats and return it to the moms and dads of middle America.

Families do not want more entitlements, they want empowerment. The American family is tired of high-sounding rhetoric and empty speeches about family values while policymakers insult them by saying ''We can't afford it now,'' as if it is our money. We cannot afford not to do it now. Our national security is intertwined with family security. Strong and secure families mean a strong and secure society.

We need to reject the class warfare rhetoric and pass this bill.

Mr. GIBBONS. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. NEAL], a Member of the Committee on Ways and Means.

Mr. NEAL. Mr. Chairman, the Tax Fairness and Deficit Reduction Act is neither, and it is certainly not the right approach for tax cuts. This legislation reduces by $188 billion the Federal Treasury over 5 years. Indeed, Treasury has estimated that the provisions are going to cost $700 billion over 10 years.

The Republicans say this unnecessary legislation will be financed by spending cuts. Discretionary spending cuts total $100 billion, but these cuts are neither specified nor are they guaranteed. It is still unclear which programs will be cut or eliminated. The legislation is not responsible. Our attention should be focused on deficit reduction, and this is not the time to be making tax cuts to the wealthy.

Those earning over $200,000 are not considered the middle class in my congressional district. I am not opposed to tax cuts for the middle class, but they should be targeted and geared toward investments. Several of the tax provisions in the Contract With America are indeed budget gimmicks. These provisions are glitter and sparkle, and there is no real long-term investment.

Let me say, there are some provisions even I could have supported, including the spousal individual retirement account, and expanding the IRA, and would have raised the ceiling on earnings for Social Security recipients, and happen to believe there ought to be some sort of capital gains relief, but I cannot support the larger package that is going to have such a dramatic impact on our deficit.

We should work for a package on both sides of the aisle that could be universally supported. Why could we not today vote on small provisions which are fully paid for? Why is this vote before us today all or nothing?

These tax provisions are not equitable. The wealthy few will receive more of the benefits, and the Treasury Department tells us that only 8 percent of the population realizes capital gains earnings in any given year. Most of the benefits in this proposal go to people who already make up to 6 percent of the wealthiest taxpayers in America.

If we are going to enact tax cuts, we ought to pay for them. It is still unclear which programs will be eliminated, and surely deeper cuts will have to be made in order to pay for these provisions and their cost increases.

We ought to focus on the middle class today. If we look beyond the bluster, we see the flaws in this proposal. Education is the most important investment we can make. In Massachusetts, 137,000 students are going to pay more for their student loans when we get done at the end of this day. This ought not to happen.

The Democratic alternative is sounder. The School Act is a simple, realistic approach. Our legislation provides tax cuts which will help the real middle class and help to pay for higher education. Four proposals make up the School Safety Act. They are deductions for education costs, student loan deductibility, guaranteed education planned savings bonds, and expanded individual retirement accounts. All of these proposals are geared towards education.

None of these tax cuts will be enacted unless we stay on a target toward a balanced budget, but today these Republican cuts are going to end up creating more spending cuts. The public will be cheated in the end.

Mr. Chairman, this legislation is ill-considered and ill-timed.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Nevada [Mr. ENSIGN], a member of the committee.

(Mr. ENSIGN asked and was given permission to revise and extend his remarks.)

Mr. ENSIGN. Mr. Chairman, we have heard ''How are we going to pay for these tax cuts.'' Let me remind the Members here that the Government does not pay for tax cuts. We allow the American people to keep their own tax dollars that they have earned.

Taxpayers have to pay for government spending, so when we talk about how are we going to pay for tax cuts, we are just going to allow the American people to keep more of what they earned.

In reference to a little while ago, we heard about Ronald Reagan raising taxes up to 50 percent on Social Security recipients back in 1983. Let me remind the Members also of which party was in control of the Committee on Ways and Means and which party was in control of the Congress at that time. It was the Democrats.

I have a lot of seniors in my district. Those seniors have been telling me that they thought that the 1993 raise on their Social Security benefits, tax raise on their Social Security benefits, was unfair. I agree with them. They have earned this money. The tax raise in 1983 went to bail out Social Security.

□ 1700

The tax raise in 1993 did not go to bail out Social Security. What we need to do is we need to be fair to our seniors. We need to raise as this bill does the earnings limit up to $30,000. I had people working for me that would come to me and say, ''You know, I just can't work anymore because I'll go over my earnings limit and that will hurt me as far as my Social Security money is concerned.'' It used to break my heart. These people wanted to be productive and we would not be able to allow that because of the tax system that we have

set up. We need to give working seniors a break and this bill does that.

Lastly, this bill also encourages people to get long-term health care insurance. I am proud to support that. It is something we need in this country.

Mr. GIBBONS. Mr. Chairman, I yield 2 minutes to the gentleman from Mississippi [Mr. TAYLOR].

Mr. TAYLOR of Mississippi. Mr. Chairman, I want to begin by complimenting everyone on the civility that has been shown thus far.

I remind my Republican colleagues that our Nation is over $4 trillion in debt. This Nation this year will borrow over $200 billion just to make ends meet. That money has to be repaid.

In the 2 minutes that I address this body, the American people will spend $1 million just on interest on the national debt. For those of you who have a Visa card or any other charge card, you know what interest is. It is money that is wasted. Sometimes it is a bargain to spend money ahead of time and pay it back later but it is never a bargain for your Nation to borrow money.

Last year on June 6 I happened to stand on the bluffs of Normandy amongst 10,000 crosses, a cross for every person that lives in my hometown almost. Those people, like my colleague SAM GIBBONS, many of them jumped out of airplanes in the dark the night before. Many of them died. They jumped for $90 a month. No one ever asked those people would they do it for a tax break. Do you love your country only if you get a tax break, if you get more back than you gave to it? They did it because they loved their country.

This Nation has done wonderful things and it troubles me when I see my Republican friends belittle the wonderful things this country has done. This country saved the world from Adolf Hitler. This country saved the world from communism. But there is a bill that had to be paid with that. The defense bill of the 1980's that I think was wonderful has to be paid. It was over $300 billion a year.

It makes no sense at all to turn around and say that we just saved a couple of billion dollars last week, so let's give it away. Because you are not giving it away, you are borrowing more money. If you want to threaten the very thing that SAM JOHNSON sat in a POW camp for for 5 years in Vietnam, or the very thing that SAM GIBBONS jumped out of an airplane in the middle of the night for, if you want to threaten the democracy of this great Nation, the world's greatest Nation, don't pay your bills. Let this Nation collapse like Mexico. Let this Nation collapse like Yugoslavia. If you love your country, be willing to pay for it.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. THORNBERRY].

Mr. THORNBERRY. Mr. Chairman, one of the reasons I believe that the control of this body changed in the last election is that the American people were fed up with those who talk one way and then come to Washington and vote another. There are those who still try to come across as the protectors of senior citizens and 9 times out of 10 those are the same people who voted to impose new taxes on senior citizens in 1993.

This bill starts to undo some of the damage that has been done to senior citizens in the past. In addition to repealing those new taxes, it goes further and says that senior citizens ought to be able to earn a living, or earn some money, and be productive citizens beyond age 65. The tax incentives for long-term care and also allowing life insurance to come out earlier are important benefits for senior citizens.

I think when seniors look beyond the empty rhetoric and look at the concrete steps that will benefit them and benefit the things that they need to see happen in their later years, they will see this is real happen in their later years, they will see this is real concrete action that will make a big difference in their lives.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. NUSSLE], a member of the Committee on Ways and Means.

(Mr. NUSSLE asked and was given permission to revise and extend his remarks.)

Mr. NUSSLE. I thank the gentleman, my chairman, for yielding me the time.

Mr. Chairman, I have had an opportunity and I spent most of the afternoon listening to the debate. I must say it has been pretty clear to me there are two philosophies at work here. The one philosophy is the one I believe I brought to Congress and I believe many of my Republican friends brought to Congress. That is, that individuals and families make better decisions about their daily lives than Government can for them. They spend their money better. They make better decisions about their family, about their future, about deciding what their American dream is all about and how they are going to reach it. Yet there is another philosophy here in Congress and here in Washington, and, that is, that bureaucrats and Congressmen make better decisions about people's daily lives than they can for themselves and that the only kind of compassion we can have in this country is one that comes out of a word processor, one that is printed on paper, one that is paid for by a Government check, and that is basically the two competing philosophies.

So, yeah, there's a lot of whining, there's a lot of crying about the future because the future is changing, because Americans are saying, ''We've had enough with Government check compassion. What we want is we want to take back our future.''

If there were $500 sitting right here on this podium and we had to decide in this body here today who would spend that money the most wisely, would it be Government bureaucrats and Congressmen or would it be families. I can tell you what the vote would be. The Republicans would say, ''Please, let families take back their future, let them decide how to best spend that money.''

Yet the vote on the other side would be very clear as well. They would say, ''We don't trust families. We think that it's the Government's money. It's not even the family's money. We're giving the tax cut.''

Who ever heard of giving a tax cut when it is the family's money to begin with? All of us that balance our checkbooks around our kitchen tables, particularly my friends back in Iowa, know who the money belongs to, knows that it is their money that they earned, that they worked for, that they want to make decisions about, whether it is for their farm or their family, their future, a college education. They are the ones that know how to manage that money.

Today we will decide the future of those two philosophies. I know Republicans are going to trust families.

Mr. GIBBONS. Mr. Chairman, I yield 2 minutes to the gentleman from North Carolina [Mr. HEFNER].

(Mr. HEFNER asked and was given permission to revise and extend his remarks.)

Mr. HEFNER. Mr. Chairman, I say to the gentleman from Iowa, I would not risk laying $500 on either one of these things here.

Let me put in perspective, if I can, first of all about Social Security. We have heard a lot about Social Security. Democrats have always supported supporting Social Security. Let me just remind folks that are talking about the Reagan administration, the very first budget that was sent to this House under the Reagan administration, under David Stockman, called for eliminating the $123 minimum Social Security for the oldest, most vulnerable citizens in our society.

The folks that have been on the talk shows and been making the debates here today have been talking about where these moneys are coming from. And to the credit of the gentleman from the Committee on Ways and Means, he made no bones about it. These rescission savings and all of these savings that have been counted, that have been cut out of the lunch program and all the other programs, make no bones about it, they are going to be used to pay for this tax cut.

Let's make perfectly clear, and the gentleman makes no bones about it, you are going to use the rescission money and on the domestic side you are going to use the cuts, and they are cuts, in the feeding programs for our children, they are real cuts, and they are going to be used to pay for this tax cut for the super-wealthy.

Senior citizens. I am a senior citizen. I can get a discount in every Shoney's across this country. But let me tell you about senior citizens. I have been seeing the buttons about senior-friendly. Let me tell you what is going to happen to you in May. You are talking

about senior citizens. In May when the chairman of the Committee on the Budget puts together this budget to get toward this balanced budget, they are going to go in and they are going to absolutely do some devastating cuts in Medicare for our senior citizens. Then we are going to see how senior-friendly this whole package is. It has been all the way to take the money from the most vulnerable people in our society and target it to the people that do not need it, that Social Security, and every Member that has spoken in favor of this tax package today is going to get a tax cut. Every single one of them.

This package is like the lady that had the ugly baby that was so ugly, she had to tie a pork chop around its neck to get the dog to play with it. That is how bad this bill is.

Mr. ARCHER. Mr. Chairman, I yield 2 minutes to the gentleman from New Jersey [Mr. SAXTON], the chairman of the Joint Economic Committee.

Mr. SAXTON. I thank the gentleman from Texas for yielding me this time.

Mr. Chairman, one of the things that we hear repeatedly from the opposition side of the aisle is that somehow this Republican tax plan is going to hurt those who are already less well off than others, the poorer folks in the United States. We have heard it over and over again and it did not just start today. It has been going on for some time. I call those of you who use that line revisionists, revising the history of the 1980's just as some people in this country would revise the history of World War II, kind of the same thing.

Let me give an example. A speaker earlier today talked about what happened to the bottom fifth of the wage earners in our country during the 1980's and they said that they were less well off in 1990 than they were in 1980. That is true. But you do not say why. As a matter of fact, in 1979 when our President was not a Republican, the bottom fifth on average earned a level at about $9,800. During the next several years, ending in 1982, that level of income for the bottom fifth of our wage earners plummeted so that by 1982, it was way down here at about $8,400. Then Republican tax policy changes took place in 1981, 1982, and 1983. Look at what happened to the average wage level of the bottom fifth of our wage earners. It went up dramatically. Not quite to $9,800, but almost. It grew rapidly.

Then we go off this chart in 1990, we had a tax increase, and in 1993 we had another tax increase. If this chart were up-to-date, you would see this yellow line shoot back down again because we increased taxes, hurt the economy, and had the most dramatic effect on our low-wage earners.

We are not out to hurt them. We are out to help them with this tax plan.

Mr. GIBBONS. Mr. Chairman, I yield 1 minute to the gentleman from Maryland [Mr. WYNN].

Mr. WYNN. I thank the gentleman for yielding me the time.

Mr. Chairman, I appreciate the opportunity to speak on this bill because I am a little confused. As I said earlier this morning, I thought we were in the business of cutting taxes with this bill only to find out that we are actually increasing taxes on 2 million Americans. I am disturbed because those 2 million Americans are Federal employees, FBI agents, cancer researchers, people that help move our Social Security checks, people who work very hard, who have experienced downsizing, and who are now confronted with the notion that in order to get a $500 per child tax deduction, they are going to pay an extra $750 to get that. They are paying that in the form of an increased contribution for their retirement. There is nothing wrong with the Federal retiree system now. It is not overly generous. In the private sector they would not have to pay anything at all. It is not insolvent. We have had research to indicate that it is in fine shape.

Why are they doing this? They are doing it to raise money and they are raising money to give a tax break to the wealthiest citizens in America. This debate does not have anything to do about whether ma and pa ought to get a tax break. The problem with this tax proposal is all the money is going to the very wealthy. The top 1 percent of Americans will get 10 percent of the benefits under this bill. The top 20 percent will get 50 percent of the benefits under this bill. It does not seem right to me.

Mr. ARCHER. Mr. Chairman, if I might, with the indulgence of the gentleman from Florida, yield myself such time as I may consume in order to respond to the gentleman.

Mr. Chairman, I do not know where his figures come from that the top 1 percent gets 10 percent, because what the reality is, with the Joint Committee figures which are the official figures on which we live in the Congress, not the cooked-up Treasury figures, it shows that the top 1 percent pay a bigger portion of the total taxes collected under this bill than they do under current law.

□ 1715

The top 10 percent pay the bigger percent of the taxes collected than under the current law.

Mr. Chairman, I reserve the balance of my time.

Mr. GIBBONS. Mr. Chairman, this debate is not over and there is much more to come, but this is the conclusion of the Ways and Means Committee portion of the debate.

Mr. Chairman, I yield 1 minute to my colleague, the gentleman from Tennessee [Mr. FORD].

(Mr. FORD asked and was given permission to revise and extend his remarks.)

Mr. FORD. Mr. Chairman, I thank my colleague from Florida for yielding me this time.

Mr. Chairman, I rise in strong opposition to the bill.

We know that this tax cut that we have before us today is not going to reduce the deficit at all. We know what the Republicans are doing is trying to really give to the well-to-do of this country a tax break that will not really respond to the evils and to the problems that we are faced with in this country, and I rise in strong opposition to it.

Mr. GIBBONS. Mr. Chairman, I yield myself the balance of our time.

Mr. Chairman, there is much more to come, as you know. I want to sum up what I think is the case against this bill right now.

We Democrats are for tax cuts. But we are for tax cuts at the right time when the economy needs them, not when the national economy is running such a huge deficit as it is today.

Our first priority today should be cutting the deficit.

Why should it be the first priority? Since 1991 we have had a rising employment rate, which yields us the lowest unemployment rate we have had in 5½ years. We are at full employment now.

I know there are some isolated pockets in the country that are not in full employment but the country as a whole is at full employment.

We are at full factory capacity utilization. We are at the highest factory capacity utilization we have had in 15½ years. The Federal Reserve acknowledges that, and that is the reason the Federal Reserve has raised the interest rate seven times in the last 14 months, 7 times in the last 14 months. And if this tax bill goes through, the Federal Reserve will offset it by raising the tax rate again as soon as this bill takes effect.

So, this is just the wrong time to do this. We should be reducing the budget deficit. If we cannot reduce the budget deficit in full employment and full factory capacity utilization, we can never reduce the budget deficit.

There is another reason why we should vote against this bill and that is the equities of the bill. The bill is badly balanced against those people who really could use a tax cut if it were the right time to cut taxes. And the first chart I have here shows what has happened to Americans in the last 20 years. And for those who do not have their glasses on and cannot see real well, the figure on my left is the higher one-fifth of our population. Their family income has increased 29½ percent, almost 30 percent in the last 20 years. But on the other end of the chart, the low end, the lowest fifth of our population, their family income has gone down by almost 15 percent in the last 20 years. And Members can see what has happened to the folks in the middle. In other words, three-fifths of the Americans have not participated in the growth of the American economy at all. In fact, they have lost ground. And two-fifths, mainly the upper fifth have gained ground in all of this.

Not all of that is tax policy driven, but a large percentage of it is tax policy driven.

The next chart is showing how difficult it is going to be to balance the budget and, very briefly, to balance the budget with the contract will require tax cuts of a trillion or require spending cuts of $5.8 trillion. That is not paid for in this bill. Anybody that says it is paid for in this bill is not on the same planet with the rest of us.

The next chart I would like to show Members is how the revenue losses explode under this bill. Much ado has been made about how this is all paid for. But in the first 5 years, which is all my colleagues on the Republican side conveniently want to talk about, even though the Senate looks at all of this over a 10-year period, the losses are not very great, but in the second 5-year period they just explode. This whole chart is practically red after the second 5 years and that is 700 billion dollars' worth of revenue loss.

The next chart I want to show is the middle class are shortchanged by the Republican tax bill. The middle-class people, which are all of these people down here in these income ranges, from under $30,000 to $100,000, they get these low figures in all of this. I want my Republican colleagues to see this because this is real important to them. This is what the middle class get. But this is what the upper income people get. The upper income people get 51½ percent of the tax cut in this bill.

Those are not my figures. Those are figures from the Department of the Treasury. I do not believe the Joint Tax Committee, and I see the staff director here on the floor and former staff director of the Joint Tax Committee who will dispute those, so the equities of this bill are wrong.

The timing of it is wrong. It is time to send this bill back to committee, and tell us to do it right.

The CHAIRMAN. The time of the gentleman from Florida [Mr. GIBBONS] has expired. The gentleman from Texas [Mr. ARCHER] has 5 minutes remaining.

Mr. ARCHER. Mr. Chairman, I yield such time as she may consume to the gentlewoman from New Jersey. [Mrs. ROUKEMA.]

(Mrs. ROUKEMA asked and was given permission to revise and extend her remarks.)

Mrs. ROUKEMA. Mr. Chairman, I rise in strong support of the bill. It puts critical incentives back into our economy to create those good jobs and save and invest in America.

Mr. Chairman, I rise in support of H.R. 1215, the legislation before the House of Representatives today, for three reasons: it cuts taxes for hard-working American families; it cuts government spending; and it puts some critically needed tax incentives into the law so that we can begin to implement a ''Save and Invest in America Plan'', which our country desperately needs in order to maintain our role as a world leader in the 21st Century.

While I am pleased to see that several items that I have long advocated as part of my save and invest in America plan are included in this package—including expanded Individual Retirement Accounts, a 50 percent exclusion on capital gains, indexing capital gains for inflation, increased ability of small businesses to deduct up to $35,000 in capital equipment investments—I had hoped that we would consider this important legislation under a more open procedure than the rule that governs debate on H.R. 1215 today.

Specifically, I had hoped that the House could consider an amendment that would allow the $500 tax credit for children to be limited to families with adjusted gross incomes up to $95,000 a year, instead of the $200,000 limit currently in H.R. 1215.

In addition to the fact that this amendment would more precisely target the tax relief in this bill toward middle-class families across our Nation, it would have also meant that H.R. 1215 would have provided for an additional $7 billion in additional deficit reductions over 5 years.

The second item I just mentioned is important because I happen to believe that the single most pressing problem facing the 104th Congress is our broken Federal budget.

In the current budget year, the Federal Government expects to collect a total of $1.3 trillion or revenue. Regrettably, that isn't enough money to fund the Federal Government's activities under the Clinton administration's current fiscal policies, because they expect to spend $1.5 trillion this year, leaving behind a $200 billion budget deficit!

At the same time, the Federal Government will spend $235 billion for interest payments on the $4.6 trillion debt! These interest payments don't help defend our country, provide health care to the elderly or impoverished, or fund environmental or educational programs.

If we fail to balance the budget, and this trend continues, in 2 short years we'll be spending more on interest on the debt—$270 billion—than we will on our national defense—$260 billion.

In this regard, the so-called deficit reduction glidepath agreement incorporated into H.R. 1215 by the rule is clearly insufficient. It takes a tentative step in the right direction—by requiring the Federal budget to be balanced in order for tax cuts to be effective—but it contains no enforcement mechanism that insures the deficit will be eliminated in the next 7 years.

Worse yet is that current projections for the loss in Federal revenues from the tax provisions in H.R. 1215 increase sharply in the future.

In fact, the Treasury Department is estimating that the tax provisions in this bill will lose about $190 billion in revenues in its first 5 years. However, the Treasury estimates that the tax provisions of this bill will lose an additional $440 billion in revenues over the subsequent 5 years.

Such a dramatic reduction in revenues will place extraordinary pressure on the Congress and President to offset this loss by cutting Federal spending even deeper.

For far too long in the past, the Congress and President have been simply unwilling to make the tough choices about budgetary priorities that the American people expect us to make, and as a direct result, we have faced $250 billion deficits for years and years, with no end in sight, a the same time that our debt has escalated from $1 trillion to more that $4 trillion.

Simply put: we must rise to this challenge and fix our budget.

The time has come for this unconscionable practice to end. And, this Congress should not let a historic opportunity to pass a better America on to future generations slip through our fingers.

For the last several years, I have spent a lot of time talking to the people of northern New Jersey that I represent about changing the unacceptable status quo by offering solid, responsible blueprints for our Nation's future—or, what I refer to as a save and invest in America plan.

Saving and investing in America will return money to the pockets of working Americans and encourage U.S. business to invest in new plants and equipment to become more competitive in the ongoing global economic wars. Saving and investing in America is about improving our economy, creating good jobs at good wages, and strengthening the American family.

While the fact of the matter is that the legislation before us today incorporates some of these ideas, I had hoped that this package could have reduced the budget deficit even further than it does.

I anticipate when the Senate acts on a tax bill, the Senate-passed legislation will address my concerns about the dramatic loss of Federal revenue after 2002, such that when the final version of this legislation comes before Congress, the new Republican majority in the House can proudly claim that it has done right by America and really, truly put the Federal Government on the road to a balanced budget by 2002. If so, I look forward to enthusiastically supporting passage and enactment of just that kind of legislation.

There are several other items included in H.R. 1215 that I support as well, including: its 5-year phase-out of President Clinton's Social Security tax increase, a credit for married couples that eliminates the tax code's so-called marriage penalty, tax incentives for the purchase of long-term health insurance and deductions for long-term care premiums, and a phased-in, 5-year increase in the Social Security earnings limit to $30,000 for senior citizens.

In conclusion, I support House passage of this legislation, and urge my colleagues in the House of Representatives to do likewise.

Mr. ARCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Nebraska [Mr. BARRETT].

(Mr. BARRETT of Nebraska asked and was given permission to revise and extend his remarks.)

Mr. BARRETT of Nebraska. Mr. Chairman, I rise in support of H.R. 1215.

For 92 days Congress has undergone tremendous transformation; from body of delay to one of action. Today we begin the climb for the summit of restoring tax fairness for families, businesses, farmers, and senior citizens; and we do so by making real cuts in spending.

I rise to call particular attention to provisions of H.R. 1215 that will help keep the family farm and the family business ''in the family'' by raising the estate tax credit from $600,000 to $750,000 and adjusting it annually for inflation.

Roughly half of the Nation's 2 million farmers are age 55 or older, and as the next generation of producers begin to take their place, these provisions will be instrumental in the all important effort of retaining the institution of family farming.

The estate tax provisions are but one of many good provisions of this sweeping package of tax cuts and spending reductions. I will support H.R. 1215 onfinal passage; it's far too important we move this last item in our contract forward. It is unfortunate, however, that we won't have the opportunity to make H.R. 1215 that much better.

Yes, I was 1 of the 100 or so Republicans that signed that letter. And I rise today to say that I am concerned about the provisions of this bill applying the $500 per child tax credit to those earning up to $200,000 annually. I commend my colleagues who had the courage and energy to take the lead on this issue.

We did promise the American people a tax cut. We also promised them deficit reduction. And certainly we could have worked for a better balance in this bill. By better targeting the $500 tax credit to families earning up to $95,000 annually, we would be cutting taxes and providing $12 to $14 billion more toward deficit reduction.

Lately, I and many others have been advised by our friends and colleagues that we shouldn't ''buy'' into the ''class warfare'' argument that is being waged by the other side, and that we should stick to what was in the Contract With America.

When I signed the Contract With America, I promised my constituents that I would support fair and open debate on items in the contract. I didn't promise to hand over my voting card and go home. They expect me to carefully weigh the pros and cons of the legislation and make improvements where I can.

That is certainly what I wished could have happened in this case. Instead, we're being told to eat our spinach and be happy. I never liked spinach when I was growing up, and I certainly don't like it now.

Nevertheless, on the side of deficit reduction, this bill is still serious business. It locks into place $124 billion in spending cuts.

The committee report accompanying the bill suggests how to achieve these savings, and I would not be representing my congressional district, if I did not raise objections to some of those proposals.

For example, recommended is another hit on rural health care and rural schools. The actual cuts to be made will be determined in the coming months by the appropriators and authorizing committees. I will be fighting to keep our share of the pie in rural America.

My constituents understand that fiscal responsibility and our goal of a balanced Federal budget will require sacrifice. And they are willing to do their share, but shutting down rural America will not be to anyone's benefit in the end. Someone has to put the food in our urban grocery stores.

This bill is the good news—tax cuts. This bill is also the reality—there is bitter medicine to swallow in the months and year ahead if we are to restore the government to fiscal health.

Mr. Chairman, I urge my colleagues to support H.R. 1215. it is not perfect and certainly is not painless, but it is necessary.

Mr. ARCHER. Mr. Chairman, I yield myself the balance of my time.

Mr. Chairman, it is very interesting when the Democrats present charts and numbers. Again, statistics as I have said earlier, do not lie, but. Their numbers almost exclusively are based on the Treasury Department's analysis, and the Treasury Department is an arm of you know who. The Treasury Department's analysis of distribution tables has been thoroughly discredited. The Joint Committee no longer uses that formula. They abandoned it prior to the time that we Republicans ever took over the control of this House. They abandoned the fictitious imputation of income to everyone who owns their own home as if it were being rented. They abandoned the arbitrary assignment of unreported and under-reported income because the Treasury thinks they know that each of us is not accurate in what we report. Therefore, that has got to be added on.

This system of distribution tables in the hearings before the Committee on Ways and Means was thoroughly discredited. But that is the basis of all of their comments. And yet the Joint Committee, which is the commercial nonpartisan arm of the House and the Senate of this Congress, has issued their burden table which shows that under this tax bill the top 1 percent and the top 10 percent will pay more as a percentage of total taxes collected than the middle income or the lower classes will pay compared to current law.

That is what the people of this country should understand.

When we get to the deficit numbers, I have not seen before this Congress anything that has been proposed by the Democrats that will reduce the deficit. They talk about reducing the deficit, but it is words only. When it got to welfare reform, what did their proposal do? It increased welfare spending by $2 billion. Ours reduced welfare spending by $66 billion. There is a direct comparison. The Democrats are full of promises that if we only spend more money up front, somewhere down the line we are going to get a dividend, but it just does not happen that way.

I think the American people are well aware that the party that stands for letting people keep more of their money, downsizing the Federal Government is the Republican Party.

I once had a Democrat colleague on the Committee on Ways and means whom I respected a great deal, a liberal Democrat, genuine, honest, sincere, followed his conscience, and he said to me one day, ''Bill, I agree with you, we should have a balanced budget constitutional amendment.'' And I was rather surprised. But then he continued, ''The only difference is you think the budget should be balanced at 15 percent of the GDP; I think it should be balanced at 50 percent of the GDP.''

We want to get taxes down now equal to 2 percent of what the spending will be over the next 5 years so that when we get to a balanced budget we will have a Federal Government that will be 2 percent smaller and taking less out of the GDP. That is the Republican position. And we are determined to balance this budget.

On capital gains, it is very interesting to note the Democrats say this is really for the rich only, and yet 75 percent of all of the capital gains filings were for families that had under $75,000 of income.

My friend, the ranking Democrat on the Committee on Ways and Means said, oh well, it is like the lottery, only 7 percent or 8 percent of the people ever have a capital gain. He should look at the Joint Committee study here which was done in 1990, which covers only 5 years, from 1979 to 1993, and 15 million Americans had capital gains. That was 16 percent of the taxpayers who filed during that 5-year period. That is only 5 years. If you look at a lifetime, I will guarantee that the percentage of Americans that will have some type of capital gain will be a very, very large one.

Yes, some people start their business early in life and do not show a capital gain until later when they sell their business. It may be many years. The Treasury figures show them as accruing giant gains each year, and of course when they do finally sell in a one time in a lifetime sale, they are declared to be rich.

This bill is fair, and it gets the deficit down and it should be adopted.

The CHAIRMAN. All time for the Committee on Ways and Means' portion of general debate has expired.

During this portion of the debate, the gentleman from Ohio [Mr. KASICH] will be recognized for 30 minutes, and the gentleman from Minnesota [Mr. SABO] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Ohio [Mr. KASICH].

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from New Hampshire [Mr. BASS].

Mr. BASS. Mr. Chairman, I rise in support of the pending legislation, and I do so as a member of the House Budget Committee. I am proud to be a member of this committee for the first time that came up with 180 billion real dollars in spending reduction.

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And not only that, under the guidance of our chairman, it has come up with a plan which is incorporated into the rule which was passed today that will tie the tax relief to the passage of a balanced budget resolution which will be produced by this committee sometime in the next 2 months. We will not have a tax relief unless we have a balanced budget. I think that is responsible of this Congress, and for those who are concerned about tax cuts versus spending reductions, be assured that we will have a balanced budget by the year 2002, and we will have tax relief as well.

Mr. SABO. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania [Mr. COYNE], a distinguished

member of the Committee on the Budget.

Mr. COYNE. Mr. Chairman, I rise today in strong opposition to the Republican tax bill. This tax giveaway to the wealthiest individuals in the U.S. is made possible only by taking a meat axe to programs serving children, seniors, and the poor.

Speaker GINGRICH has called this Republican tax cut for Americans with incomes up to $200,000 the crown jewel of the Contract on America. The tragic fact is, however, that this crown jewel is being paid for by cutting programs like school lunches, infant nutrition programs, disabled children, LIHEAP, and student loans? The only good thing to say about this proposal is that at least the Republican majority is being clear about its priorities.

This Republican tax bill is not a middle-class tax relief bill. The vast majority of tax cuts in this bill go to the richest individuals in our society. Households earning $200,000 would receive an average tax cut of $11,266. By contrast, more than 44 million American households with incomes below $30,000 would receive only $124. The vast majority of middle-class Americans will receive a meager portion of the Republican majority's tax giveaway. They will, however, be the ones to pay for this tax cut through cuts in funding for education, children's programs, job training, crime prevention, cancer research, and a host of other essential domestic programs.

While middle-class Americans get peanuts under this bill, the capital gains reductions in this bill will benefit overwhelmingly upper income individuals. Over three-quarters of the tax benefits from the Republican capital gains proposal will go to individuals with incomes of $100,000 or more. This is no ''Mom and Pop'' small business investment incentive. Over half the taxpayers who realize capital gains each year have incomes over $200,000. This select group of the wealthiest individuals in our society—those with incomes above $200,000—would receive a $7,800 capital gains tax cut in 1996.

The Republican tax bill also reopens a tax loophole for the biggest corporations in the United States by repealing the Alternative Minimum Tax [AMT]. The AMT was enacted in 1986 when Congress became aware of how U.S. corporations with millions in profits could avoid paying any taxes. Reopening this tax loophole was not in the Contract With America but it was added in the House Ways and Means Committee to benefit the biggest corporations in America. The Republican message to corporate America is ''Let the good times roll.''

While giving the lion's share of tax cuts to the top 3 percent in America, this bill denies millions of hard working Americans an ability to benefit fully from the $500 per child tax credit in this bill. In the original contract, a young couple with one child and a family income of $15,000 would receive a child tax credit of $500. Under the Republican tax bill being considered today, that family of three would receive a tax credit of only $90. The Republican majority leadership rejected attempts to restore the full family tax credit to moderate-income Americans by phasing out this provision for Americans with incomes above $95,000. Instead, Americans with incomes up to $200,000 will benefit fully under this child tax credit provision while millions of middle-class Americans will never receive a full $500 per child tax credit.

It is also an outrage that Federal workers across America have been singled out for a tax increase to pay for this tax giveaway. A Federal worker in Pittsburgh earning $20,000 will pay $500 more a year in pension taxes under the Republican bill. The people we depend on to run our prisons, enforce our laws, and serve the needs of all Americans have been hit with a tax increase under the Republican tax bill.

Finally, the Republican majority's talk about ensuring that this tax cut does not add to the Federal deficit is a sham. Instead of making tax cuts contingent on deficit reduction, the Republican bill only requires an annual report to Congress on progress toward reducing the deficit. Instead of voting on specific cuts to pay for this bill, we have a promise of an additional $100 billion in unspecified spending cuts to be made sometime in the future. The Federal deficit will grow even larger if the Republican majority fails to enact their $17 billion cut in school lunches, child nutrition, LIHEAP and seniors programs that are targeted to pay for this tax giveaway.

The key to deficit reduction is to stop this tax giveaway. When you are in a hole, the first rule is stop digging. How can we expect to control growth in the Federal debt being passed on to future generations of Americans when the Republican tax bill adds billions more to the Federal deficit? The Republican response is to cut taxes today and we can pay for our giveaway tomorrow. That is the same message Republicans sold the country in the early 1980's and the result was a Federal debt that grew from less than $900 billion in 1980 to more than $4.8 trillion in 1995.

Mr. Chairman, the Republican tax bill is no American Dream Restoration Act. This bill can only be paid for by taking billions away from programs serving middle-class Americans in exchange for a few pennies in tax reductions. At the same time, the wealthiest in our society will have their pockets filled with this Republican tax giveaway. I urge my colleagues to defeat this tax bill.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Michigan [Mr. HOEKSTRA], a member of the Committee on the Budget.

Mr. HOEKSTRA. Mr. Chairman, I think it is time for us to reflect back on where we have been for the last 2 years and also then to look forward to where we are going to be at the end of this Congress.

Over the last 2 years, back in 1993, we had a real what we thought was a genuine effort to reduce the budget, passed the largest tax increase in American history. Two years later the President has come back after that large tax increase and has taken a walk on getting us to a balanced budget, continuing and perpetuating $200 billion deficits for the next 5 years, taking us to an accumulated debt of over $6 trillion.

I encourage everyone to take a look at where the Republicans will be after we finish our 2 years with this opportunity to set America in a new direction.

We have taken a first step where we have passed a rescission package where we actually pay for emergency spending. This is the second step in that process. Today we are going to be delivering over $190 billion in tax reform, tax relief. We are going to be delivering another $30 billion in deficit reduction.

Within the next 2 months we will also for the first time in this House of Representatives deliver a plan to get us to zero, a balanced budget within the year 2002.

So what we have done is we have paid for emergency spending, we are providing tax relief, and we are going to continue to slow the growth of Federal spending so that we actually do get to a balanced budget. That is a record that we will be proud of. That is a record of accomplishment. And that will be a record of equity, fair distribution between the American people and slowing the growth of the Federal Government.

Mr. SABO. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Maryland [Mrs. MORELLA].

Mrs. MORELLA. Mr. Chairman, I rise in opposition to the bill.

Mr. Chairman, this vote is not about tax cuts. It is about priorities. It is about intergenerational equity. It is about whether we, as a nation, can in good conscience reward ourselves with tax cuts today, while laying upon our children the burden of massive, bloated deficits stretching as far as the eye can see. That is not right, Mr. Chairman.

While I commend my colleagues, Representatives CASTLE, UPTON, and MARTINI, for their concerted efforts to link tax cuts to deficit reduction, I do not believe that the commitment they have secured goes far enough. No commitment, however well intentioned, can ensure that Congress will meet its deficit reduction goals. Recent budget agreements have certainly taught us that. Yet we know that the pressure to maintain these very expensive tax cuts will only increase with time, regardless of whether or not we are on the deficit reduction glidepath specified in this agreement. That is a very, very slippery slope to embark upon, Mr. Chairman.

I, too, support many of the individual tax provisions contained within this package, but the rule does not permit us to consider these tax provisions individually. On the contrary, we are being asked to cast one vote on a massive tax bill whose price tag—nearly $700 billion in the next decade—is staggering. As a result, in this case, the whole is less than the sum of its parts.

Finally, Mr. Chairman, I would like to voice my strong objections to the leadership's unwillingness to permit amendments that would direct the child tax credit to middle-income families, rather than to those earning up to $250,000. The lack of a reasonable cap on the child credit is particularly troubling considering that this legislation actually raises taxes on over 2 million Federal employees to finance everyone else's tax cut, an egregious

inequity that I have already discussed on this floor several times today.

I urge my colleagues to keep their contract with future generations and to put deficit reduction, tax fairness, and equity for our Nation's civil servants first. Vote against this package.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the very distinguished gentleman from New York [Mr. LAZIO], a member of the Committee on the Budget.

Mr. LAZIO of New York. Mr. Chairman, I rise today in support of H.R. 1215, The Tax Fairness and Deficit Reduction Act of 1995.

As the father of two young daughters, I am well aware that families desperately need tax relief. My constituents on Long Island are shouldered with some of the highest taxes in the Nation, which are literally robbing middle-income taxpayers of the ability to take care of their families.

The National Taxpayers Union estimates that in 1991 a family of four that makes $53,000 paid 50 percent of their earnings in Federal, State, local and other indirect taxes. So, the Government takes home a larger share than the worker. Disturbingly, parents now spend about 20 percent less time with their kids today than 40 years ago. Why? Because the tax exemption for children has eroded due to inflation. In 1948 the child exemption amounted to 42 percent of an average family's income. Today it is only worth only about 12 percent. Consequently, both parents today usually have to work just to make ends meet.

The $500-dollar-per-child tax credit contained in the bill will help ease that burden. Every dollar workers do not have to send to Washington can instead be used to raise their families. Overall, Long Island families will save nearly $65 million from this tax credit. Importantly, 75 percent of it will go to families with incomes of less than $75,000.

Additionally, H.R. 1215 recognizes the particular financial burdens placed on seniors and would allow them to keep more of their earned Social Security benefits without being penalized for working. It also repeals President Clinton's tax increase on Social Security benefits and, provides tax incentives to encourage people to purchase long-term care coverage. In all, seniors in New York would reap over $2 billion in tax savings from this bill.

Forty-two million families and 5 million seniors will see their taxes cut under this bill, and New Yorkers will save nearly $16 billion over the next 5 years. Best of all, these tax cuts will be matched by spending cuts.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the gentlewoman from New York [Ms. SLAUGHTER].

Ms. SLAUGHTER. Mr. Chairman, I rise today in strong support of deficit reduction and in opposition to a bill that will add at least $700 billion to the deficit. The legislation before us today will give millions of dollars to the wealthiest in our society at the expense of our children, senior citizens, the disabled and working American families. The arguments we have heard to day in support of H.R. 1215, are all to familiar. It was only 15 years ago when the Reagan revolution came here to Washington to ask for deep tax cuts of the wealth, and for corporations.

In the early 1980's our debt stood at $1 trillion, by the end of that same decade the debt was close to $4 trillion. We have all listened to the Republican criticism of the President's fiscal year 1996 budget concerning deficit reduction. However, it should be pointed out that if the President did not have to finance the 1980 debt ''gift'', his budget would have been balanced. That's better than a glide path. The same misguided policies and economics that allowed our debt to triple in less than 10 years, are driving this huge tax give away.

We have heard that this hugh massive irresponsible tax give away, will spur economic growth. I think my colleagues on the other side of the aisle need a refresher course. Fifteen months after the 1981 tax cuts, the unemployment rate soared to 10.8 percent, it highest point since the end of the great depression.

I would question the wisdom of turning our backs on deficit reduction. As a member of the House Budget Committee, I have heard testimony from numerous economists who have cautioned us in proceeding down a dangerous path. Even the Chairman of the Federal Reserve, a vocal proponent of a capital gains tax cut, recommended caution and reminded us that the most important thing we could do for long-term economic growth is to reduce the deficit. Adding an additional $700 billion would do little to reduce the deficit and reduce long-term interest rates which directly impact short term investments.

We do have a choice before us today. We can support real relief for working families without jeopardizing deficit reduction or we can support relief for multinational corporations and wealthy citizens. The Democratic substitute includes necessary triggers to prevent any tax relief from adding to the deficit, unlike the Republican bill which simply calls on CBO to tell us that the deficit targets were not met and that automatic cuts in entitlements and discretionary accounts are necessary. It does not force the cuts nor does it give any specific cuts. The Democratic alternative repeals the tax relief provisions in the event that the deficit climbs above established targets.

Included in the Democratic alternative are real investments in our future economic strength while ensuring that all of the benefits are targeted to taxpayers with adjusted gross income and less than $100,000.

The substitute provides for a deduction for educational expenses of up to $10,000; a restoration of the deduction for student loan interest; an expansion of the current IRA Program to make more Americans eligible and to allow for penalty-free withdrawals for education and an enhancement of the Savings Bond Program to increase the rate of return to help families save for education without suffering any tax penalty. The Democrats are investing in our children and our economic future. What kind of country will we become when education opportunities only exist for the very wealthy? When students graduating from college cannot afford to purchase a home or a car because of staggering college loan payments? We are forcing today's college students into major debt before they turn 25. For our generation a mortgage represented a family's major debt, today it is a college education. What impact does this have on our economy and our ability to compete in global economy. If we do only one thing to help families and improve economic opportunities for all Americans, it would be investing in education.

The Democratic substitute ensures fiscal responsibility while providing necessary relief to working families. What price are we willing to pay to help major corporations and the top 10 percent of earners. Are we willing to cut school lunches? Cut student loans and Pell Grants? Cut Medicare and long-term care for the disabled and senior citizens? Eliminating or drastically reducing COLA's for Federal and military retirees? Are we willing to allow major cuts in breast cancer research. If you answer no to any of these choices, you must defeat H.R. 1215. included in this legislation is a call to cut $100 billion over 5 years from domestic and military spending.

I ask my colleagues to seriously consider the ramifications of today's dangerous vote. Do not be fooled by the rhetoric of yesterday. We have a choice—we can vote for the Democratic alternative and vote for families and economic stability or we can vote for the Republican bill and send the deficit through the roof. We simply cannot justify this type of reckless borrowing to give tax breaks to the wealthy at the expense of real working families and the most vulnerable in our society.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the gentleman from North Dakota [Mr. POMEROY].

Mr. POMEROY. Mr. Chairman, one of my favorite Jack London stories is about the young Eskimo hunter who was highly successful. When they found out his secret, all were amazed, because his secret was to wrap tightly coiled shards of steel into frozen meat, and as the polar bears would devour the meat and thus would begin to digest it in the polar bear's stomach, the shards of steel would strike forward and literally tear the guts out of the polar bear, leaving a remarkably successful hunt for the young Eskimo hunter.

The tax bill before us is constructed not unlike that little hunting trick. It offers a $200 billion deficit impact in the first 5-year measurement window for this bill. The House only considers the first 5-year cost of the proposal.

Some in the majority side think we can afford the $200 billion. I happen not to agree.

But no one is talking about the full cost of this bill, the 10-year cost of this bill, and that is vital to consider in light of what happens once we get past this bill's measurement window.

You can see here in this chart that once we get past the 5-years, the cost of this measure explodes, and like the

trick used by our young Eskimo friend, this tears the guts not out of a polar bear but out of the Federal Treasury when the full costs of the tax proposal before us are experienced to this Treasury. It will devastate our ability to reach a balanced budget.

It will devastate programs vital to kids, vital to students, vital to seniors. It is very, very bad policy, and I urge its rejection.

Mr. KASICH. Mr. Chairman, I yield 4 minutes to the gentleman from Pennsylvania [Mr. WALKER], the very distinguished chairman of the Committee on Science and a member of the Committee on the Budget.

Mr. WALKER. Mr. Chairman, I thank the gentleman for yielding. I would like to thank him for his leadership on this bill.

I certainly rise in support of the Kasich amendment and applaud the hard work done by the Speaker of the House, by the chairman of the Committee on the Budget, by Chairmen ARCHER and BLILEY to put together this historic measure. Included in this bill is a measure that the gentleman from Minnesota has mentioned on a couple of occasions which I believe is a rather historic provision and is something the American people have found very, very much in line with their beliefs of how we ought to begin this process of balancing the budget, namely, to get them involved, and this particular provision is called the Taxpayer Debt Buydown Act.

This is an effective, innovative plan to cut the runaway Federal budget deficit and reduce the $3.6 trillion in public debt. It is a bold way of bringing the American taxpayer directly into the budget process. It is a plan that will give the taxpayers the power they need to participate in controlling Federal spending, a referendum every April 15 on Federal expenditures.

The proposal would amend the IRS code to allow taxpayers the opportunity to voluntarily designate up to 10 percent of their income tax liability for the purpose of debt reduction. All moneys designated would be placed in a public debt reduction trust fund established by the Department of the Treasury and used to retire the public debt other than obligations held by the Social Security trust fund, the civil service and the military retirement funds.

On October 1 the Treasury Department would be required to estimate the amount designated through the checkoff. Congress would then have until September 30 of the next year to make the necessary cuts in spending. To coordinate this measure, in the efforts to balance the budget, the checkoff would count only if the amount is greater than the cuts Congress has already implemented. For example, if Congress passes a reconciliation bill this year and designates cuts of $50 billion in 1998 and the checkoff in 1998 totals $40 billion, well then, we will have met our obligation, and there would be no designation of additional money needed. However, if the American people wanted us to cut $60 billion and we only designated 50, we would, in fact, under this have to find another $10 billion in cuts. Therefore, it works in conjunction with and compliments the push for a balanced budget.

It is also a backup. If Congress fails to enact the balanced budget, the 10 percent will be the only option for cutting spending. If Congress failed to enact spending reductions to meet the amount designated by the taxpayers, an across-the-board sequester would occur on all accounts except Social Security retirement benefits, interest on the debt, deposit insurance accounts, and contractual obligations of the Federal Government. If Congress enacted only half of the necessary cuts, a sequester would ensure the other half.

All spending cuts would be permanent. The cuts would be permanently reducing the spending baseline.

Although nothing in the legislation would prohibit Congress from increasing taxes, tax increases could not be used as a substitute for spending reductions that would be designated by the taxpayers.

□ 1745

OMB and CBO both say this idea works. It would balance the budget in 7 years and zero out the debt by fiscal year 2010 if everybody participated. If the public debt is not reduced in the same time period, projections show it will increase to over $9.5 trillion. So this is a very real way of beginning to deal with the problem.

Some recent criticisms have centered on one issue. The gentleman from Minnesota suggested that this would create a plutocracy where the rich would control the U.S. budget. Well, those with incomes over $100,000 would pay 39.2 percent of all individual income tax, or the top 1 percent of income taxpayers pay 27 percent of all income tax. You cannot have it both ways. You cannot on the one hand say we are going to tax people because of their wealth and then suggest when there is opportunity to have them participate in some of the things to begin reducing the deficit, that they cannot participate equal to what they are contributing to the entire problem. So that is what this does. No one is treated unequally. Anybody who pays taxes gets a chance to have their say in whether or not the debt and deficit should come down. I think this is a highly positive kind of approach, and people are finding it is a highly positive kind of approach. I congratulate. I congratulate the gentleman from Ohio [Mr. KASICH] for including it in this proposal, and I look forward to voting for the bill and seeing to it that it passes.

Mr. SABO. Mr. Chairman, I yield myself 15 seconds.

The gentleman describes a provision inserted in the bill with no hearings, no consideration. It changes fundamentally our government from a representative democracy to a system of government where $1 equal 1 vote, $1 million equals a million votes.

Mr. Chairman, I yield 2 minutes to the gentlewoman from California [Ms. WOOLSEY].

Ms. WOOLSEY. I thank the gentleman for yielding this time to me.

Mr. Chairman, we are hearing a lot of inside-the-beltway talk in this debate, and it must be confusing to the American people.

In beltway language, this is a bill to eliminate the alternative minimum tax by reducing discretionary spending caps in violation of the Budget Enforcement Act.

But let me tell you what this bill is really all about. It means that NEWT's Republicans are creating tax loopholes for special interests, and paying for it by taking food out of the mouths of children, taking money out of the pockets of middle-income college students, and taking homes away from low-income seniors.

In Budget Committee, when these painful cuts were being thrust upon us, I offered an amendment to protect child nutrition. But, marching in lock step, the Republicans said ''no.'' NEWT's Republicans sent a clear message to America's children: We are willing to take away your school lunch so we can give lobbyists and special interests a free lunch.

But, Mr. Chairman, young children are not the only ones who will pay for these tax loopholes. We will also be taking money out of the pockets of middle-class college students and their families. At two schools in my district alone, almost one-thousand students will lose their campus-based aid so that special interests can stuff their wallets.

Unfortunately, there is another victim in this plot to prop up the special interests—our seniors. While kids are being kicked out of schools, seniors are in danger of losing their housing. More than 200 seniors in Santa Rosa and Marin are already in danger of being thrown out in the street.

Like school lunches and student loans, affordable housing will become an impossibility for many of America's seniors.

Mr. Chairman, NEWT's Republicans are going too far, and they are going too fast. The people of this country don't want this partisanship, they want real solutions—solutions that will improve their lives, not take away their opportunities.

I beg my colleagues on the other side of the aisle, in the interest of our children, our seniors, and middle-class America, let us slow down and think about who we are hurting before we pass this tragic legislation.

Mr. KASICH. Mr. Chairman, I yield 3 minutes to the distinguished chairman of the Committee on Government Reform and Oversight, the gentleman from Pennsylvania [Mr. CLINGER].

(Mr. CLINGER asked and was given permission to revise and extend his remarks.)

Mr. CLINGER. I thank the gentleman for yielding this time to me.

Mr. Chairman, I rise in support of H.R. 1215, the Tax Fairness and Deficit Reduction Act of 1995.

This bill keeps the promise made in the Contract With America to put us on a path toward fiscal responsibility with reduced spending to the tune of $90.7 billion over 5 years—that is a whopping $90.7 billion in deficit reduction—accomplished by imposing sorely needed restraints on discretionary spending.

A very difficult part of getting our fiscal house in order is going to involve reforming our Federal retirement system. I have heard some Members argue that there is nothing wrong with the current system. But let me state emphatically—our Federal retirement system is broken and in dire need of repair. We currently have an unfunded liability of $540 billion and that bill is long long overdue.

On top of that, we have a system where the retirement benefits paid out every year far exceed the cash coming in to pay for those benefits. And who do we look to pay the difference? Obviously the American taxpayer. Last year, $26.5 billion had to be drawn from the Treasury to help pay the pension benefits for Federal retirees. If we do not do something now, that number is going to continue to grow larger and larger.

A very short history: The Federal Retirement System was originally set up so that employee and employer contributions were equal, and those payments were projected to cover the cost of the system. When Congress increased benefits, Congress also increased employee contributions to cover these costs. The last adjustment to employee contributions, however, was made in 1969—26 years ago.

Since then, salaries and benefits have continued to increase for Federal workers and retirees, but without, without any corresponding mechanism to pay for them. The result is that the Federal Government—the American taxpayer, in effect—has shouldered an ever-increasing share of the cost of Federal retirement. That share is now about 70 percent of the cost of the retirement system.

So it is time past due to address the inequities of the system and put our Federal retirement program on a sound fiscal footing.

The increased contribution from Federal employees—amounting to about $2 billion a year—will go directly into the Federal Retirement System to maintain the system's benefit structure. And because additional employee contributions reduce the need for Federal borrowing to pay current benefits, the deficit also is reduced.

The Budget Committee has taken a difficult step in addressing the inequities in cost between Federal employer and employees. But just as important, the legislation addressed the inequities between pensions here in the legislative branch and those in the executive branch. H.R. 1215 would bring congressional accrual rates for Members and staff in line with regular Civil Service accrual rates.

Mr. Chairman, in closing, I want to say I strongly support the package of Federal retirement reforms in this legislation and urge my colleagues to do the same. These particular provisions represent a giant step in facing reality that the present dysfunctional system is a significant contributor to the overall budget deficit.

I commend the chairman of the Budget Committee, the gentleman from Ohio [Mr. KASICH], for his efforts in this area, and again urge my colleagues to pass this legislation.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Utah [Mr. ORTON].

(Mr. ORTON asked and was given permission to revise and extend his remarks.)

Mr. ORTON. I thank the chairman for yielding.

Mr. Chairman, I came here today prepared to give a speech to you outlining the good parts and the bad parts of this bill and to tell you why I am in opposition to it. But I would like to submit my statement for the record and talk to my colleagues for just a minute about what is really important.

Mr. Chairman, a week ago my life changed forever as my wife gave birth to our first-born son, and today I just came from the doctor's office where we took him for his one-week checkup. While there, they had to take a blood test from his blood; they stuck his ankle and also had to give him an immunization. As he laid there crying and looking up at me through tears in his eyes, I would have done anything in the world to take that pain from him. But I could not take his blood test for him, and I could not take that immunization. It made me think as I came here to the floor today what are we going to say to my son 20 years from now or your sons and daughters or grandchildren if we fail to get our fiscal house in order? If we pass onto those children and future generations of this country the deficit, the debt that we have piled upon them, it will impact their lives forever.

But there is something we can do about that. What I am going to do about that today is to vote against this bill because this bill does not balance the budget. This bill says before we start even climbing out of the $5 trillion hole we are, we are going to dig $700 billion deeper. That does not make sense.

So I would urge my colleagues let us balance the budget first, let us not dig deeper into the hole before we try to climb out. Let us be able to look our children and grandchildren in the eye in the future and tell them we did do what we could do for this country.

I urge my colleagues to vote ''no.''

Mr. Chairman, I rise in opposition to the so-called ''Tax Fairness and Deficit Reduction Act of 1995.''

I believe the American public has sent us a clear message: Cut spending first. In order to balance the budget over the next seven years, we will have to make over $1 trillion in spending cuts. This will be extremely painful and difficult to achieve. To dig ourselves another $630 billion in debt before we even start to climb out of the deficit hole makes absolutely no sense.

I am certainly not alone in this analysis. The chairmen of the Senate Budget and Finance Committees both agree that we should not be cutting taxes at this point. The Senate Budget Committee's preliminary plan to balance the budget includes not a single tax cut included in this tax bill we are debating today in the House.

So why is this vote taking place. The answer is politics, pure and simple. The tax bill is in the grand old political tradition, a Christmas tree, with something for everyone. As members struggle to justify why they are voting for final passage, their only line of defense seems to be ''It's in the Contract.'' Many supporters of those who will vote for this bill are privately conceding that we should not be cutting taxes by $630 billion over 10 years, and are counting on the Senate to bail us out.

This is not the responsible thing to do. The clear danger here is that we will commit the same mistakes of the 1980's that lead us to ruinous budget deficits and a national debt approaching $5 trillion. In 1981, we passed tax cuts first, with the promise of future spending cuts. Those cuts never materialized. We cannot make this same mistake again. The spending cuts should come first. Then, if we can find additional spending cuts, we can then cut taxes.

For that reason, I have worked with Representatives BROWDER, CASTLE, UPTON, and MARTINI over the last few weeks to develop and offer a bipartisan amendment to make all of the tax cuts in the bill dependant on spending cuts necessary to both balance the budget and pay for the tax cuts. Specifically, our amendment would have delayed the effective date of the tax cuts in the bill until Congress passed and the President signed into law legislation which cuts spending enough to balance the budget by 2002, and also pay for the tax cuts. As an enforcement mechanism, the tax cuts in the bill would later be revoked if we failed to meet interim deficit targets leading to a balanced budget by the year 2002.

This amendment is completely consistent with what the House leadership has announced it would do—to both balance the budget and pay for tax cuts. Now, I am pleased to see that leadership has retained a portion of the provision in our amendment which delays implementation of the tax cuts until there is a certification that the reconciliation bill containing the tax cuts both balances the budget by 2002 and pays for the tax cut. I take this to be an ironclad commitment that the House leadership will not bring a reconciliation vote to the floor this summer containing tax cuts unless such a certification is made. And, I strongly urge every member of the House to vote against any future reconciliation bill which violates this commitment.

However, I am concerned that leadership watered down the Browder/Castle/Orton/

Upton/Martini amendment with respect to enforcement of annual glidepath targets. In my opinion, leadership's failure to retain this provision calls into question their commitment to making deficit reduction our top fiscal priority. And it makes it harder to vote for a bill which cuts taxes at the expense of deficit reduction.

Mr. Chairman, the issue is simple. With over $200 billion deficits as far as the eye can see, it is irresponsible to start off with tax cuts when we should be starting off with spending cuts. The issue is not whether these tax cuts are paid for with spending cuts. The issue is whether we are going to cut spending in a amount necessary to both balance the budget and pay for any tax cuts we might approve. Put simply, the issue is whether we are going to cut spending first.

I recognize that families with children could use tax relief at this time. However, I would appeal to every family in my home state of Utah and in the nation to ask themselves what is best for their children. Do we want to leave a legacy to our children of a staggering debt, high interest rates, and a declining standard of living? Do we want to continue a path of consuming today at a huge cost tomorrow? Is that really a family-friendly thing to do?

We know the answer is no. Every parent recognizes the need to save for their children's higher education and for their own retirement. We should be equally responsible with our federal finances. It is fun to cut taxes? The answer is clearly yes. Is is responsible to cut taxes before we cut spending, exacerbating our $200 billion a year federal deficits? The answer is clearly no. Let's put the nation's interest above political interest. Vote no on the rule and vote no on final passage.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from Florida [Mr. MILLER], a member of the Committee on Appropriations, and a distinguished member of the Committee on the Budget.

Mr. MILLER of Florida. I thank the gentleman for yielding this time to me.

Mr. Chairman, the gentleman from Utah who just spoke said there are 182,000 children in the gentleman's district who would benefit from this tax cut and that would amount to $91 million in tax savings for the gentleman's constituents.

Mr. Chairman, I am proud to be here today in support of the Tax Fairness and Deficit Reduction Act. Not only does this legislation provide necessary tax relief for the hard-working families of America, it pays for those tax cuts and reduces the deficit by $30 billion.

In our quest to remove the burden of bloated government from the backs of our kids and our grandkids, all I hear from the other side of the aisle is empty rhetoric about class warfare.

The fact is we started with ourselves: for the first time in 40 years, we have a deficit reduction package that cuts benefits for Members of Congress. This legislation reforms the overly generous pension benefits given to Members of Congress by the overly-taxed American people.

Never in the past 40 years did the Democrats reduce their benefits and actually give the money back to the hard-working, tax-paying citizens of this country.

Republican leadership is different. We are leading by example. I urge my colleagues to support this legislation.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from South Carolina [Mr. SPRATT].

(Mr. SPRATT asked and was given permission to revise and extend his remarks.)

Mr. SPRATT. I thank the gentleman for yielding this time to me.

Mr. Chairman, I have listened to Members from across the aisle insist the tax cuts in tax bill are paid for. In truth, they are not paid for. That is why this tax bill is so reckless. I have time to talk about just one reason why the revenue losses entailed by this bill are not replenished or offset by spending cuts. That is that the lower spending cap, $100 billion, for reduction in discretionary spending, is spurious, just more smoke and mirrors.

Now, I know that the chairman of the Budget Committee sent us an illustrative list of spending cuts that total $100 billion. None of these cuts has been voted on yet. It would be miraculous, in my opinion, if even half of them were ever approved. And if we take this tax list sent to us by the chairman at its face value we ought to know that there is one peculiar discrepancy to it. That is that it is silent, altogether silent on defense spending, which constitutes half of all discretionary spending.

The chairman also said lately that he would like to freeze defense spending at the current level of outlays, which is $270 billion.

Now, let us bring defense, the other half of discretionary spending into the picture and see what happens. I have a chart here that is not about class warfare, it is about budget reality, which deals with that particular half of spending.

If we take the lower caps, $100 billion reduction in the spending caps called for by this bill with constant defense outlays of $270 billion, that is an outlay freeze on defense, we see from this tax chart that we will have to cut $41 billion out of budget authority from nondefense programs for fiscal 1996, which is next month. As you can see from those charts, those cuts in nondefense budget authority will rise to $66 billion in fiscal year 1998, a 23.5-percent reduction off current levels of spending for those programs. That is 23.5 percent off of NASA, Drug Enforcement Agency, programs for the elderly, you name it, everything in discretionary spending. Altogether, over 5 fiscal years the cuts in nondefense spending will add up to $187 billion, which is $87 billion more than the chairman of the Budget Committee has laid out in his illustrative list.

Now, there are lots of things in this tax bill I would like to vote for and support. This would deal a death blow to deficit reduction, and that is why I am voting against it and urge others to do the same.

□ 1800

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the gentleman from New Jersey [Mr. SAXTON].

Mr. SAXTON. Mr. Chairman, I thank the gentleman from Ohio [Mr. KASICH], the chairman of the Committee on the Budget, for yielding this time to me.

Let me just say that there are two things that this economic program that the contract embodies are trying to carry out. One is to slow the growth of outlays that the Federal Government does on an annual basis. This chart shows where we have come in terms of outlays over the years from a low of total Government spending in 1930 of 12 percent to the 1990 level of spending of 42 percent, and it is the chairman of the Committee on the Budget and his committee members who are going to be responsible for bringing down this rate of growth under our plan.

The second part of our plan is to create more revenue, to get revenues growing so that, as we bring down the rate of growth and spending, the revenue line will catch up with that level of spending that is necessary, and in so doing eliminate the budget deficits and, eventually, the debt.

In order to do that, John Kennedy told us in 1963 that, if we do good, smart tax policy, it will create an economic expansion, we will have more people working, earning more money and hence paying more taxes, and that is what today's debate is essentially about.

Now we know that there are some folks on the other side of the aisle who do not want lower taxes because it means we have to spend less because we will have a smaller government, and so they try to come up with some red herrings to scare some of the Members who might be hesitant to vote for it.

The next chart shows what one of those arguments is about. They say that the capital gains tax reduction that we are proposing to put in place does big favors for the rich people when in fact 38.4 percent of the people who pay capital gains tax have an income of under $50,000, and, as a matter of fact, the next 22 percent have income over $100,000, and so in fact the large majority of the capital gains that are paid are paid by low income and middle income people.

The other thing that the opposition would like us to believe is that the $500 per child tax credit somehow favors rich people when in fact 87 percent of the people who will benefit from this program earn less than $75,000 a year. As a matter of fact, the last speaker, the gentleman from South Carolina [Mr. SPRATT], has 123,000 children in his district which are middle income people, and has district, if we do not pass this plan, will therefore lose $307 million to the families and his middle class taxpayers.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the gentlewoman from Hawaii [Mrs. MINK].

(Mrs. MINK of Hawaii asked and was given permission to revise and extend her remarks.)

Mrs. MINK of Hawaii. Mr. Chairman, I thank the gentleman, and I appreciate the time to offer my thoughts about what we are about to do.

Two weeks ago we had some very dramatic debate in this House concerning the welfare program. At the end of that we saw major cuts being made on some of the most substantial programs that help needy families throughout America, and the cost of the program in terms of reductions made against the poor in America came to something over $60 billion. I say to my colleagues, you study this tax cut program today, you'll see that the $60 billion that we took away from poor needy families is going to pay for the tax cuts for the super rich in this country.

I stand here today, not as an expert on the tax cuts and the implications that are going to fall upon this Nation in 5 or 10 years, but I stand here today and ask the question, Is it ever fair for the Congress of the United States to pass tax cuts for the super rich and to pay for it out of the needs, and wants and feelings of the poorest in this country? We cut school lunches. We are going to cut the student aid programs in our colleges. We took away some of the WIC Program. We took away the base of guarantee of the welfare structure by taking away the entitlements. On and on, Mr. Chairman, the sacrifices that are being called upon to pay for this tax cut are coming from the average citizens of this country.

Now there are some good things in here, and I suppose many people are going to be tempted to vote for this bill because of these various good items in it, some of it having to do with the senior citizens. But I ask the senior citizens: In the end we're going to have to pay for these tax cuts of $189 billion, and watch out, senior citizens. It is going to come from your programs, your benefits, and your Medicare Program. I guarantee you that.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Delaware [Mr. CASTLE], the former Governor of the State.

Mr. CASTLE. Mr. Chairman, I believe the premise of this bill is correct: The American people should be able to keep more of the money they have earned. It is just not right for the Federal Government to take an ever increasing share of the incomes of working Americans. Do the American people want a tax cut? Yes, they certainly do. But their top priority—and many of my constituents in Delaware have told me this—is for Congress to cut spending and balance the budget first, and then cut taxes. The bill now contains this very important safeguard.

I am pleased to say that the Republican leadership, Chairman ARCHER and Chairman KASICH agreed to an amendment offered by Mr. UPTON, Mr. MARTINI, and myself that requires that the tax cuts can only become law when Congress has approved budget legislation that will put the Government on course to a balanced budget by the year 2002.

This will hold Congress' feet to the fire to ensure that the budget legislation passed this year will make all of the necessary spending cuts and program changes to reduce the deficit every year for the next 7 years so that the deficit will be zero in 2002.

It provides a strong incentive to put a tough budget plan in place now, so that the tax cuts can begin as scheduled next year.

In subsequent years, if the budget committees and CBO report that we are no longer on course to a balanced budget, Congress must then consider a budget resolution that will put us back on course.

In addition, the legislation will also require the President to submit a balanced budget each year. As my colleagues know, President Clinton has submitted a budget that will produce $200 billion deficits for each of the next 5 years, adding almost a trillion dollars to the national debt. This amendment will require the President to submit a balanced budget or offer one as an alternative plan if he chooses to propose continued deficit spending.

Mr. Chairman, I strongly believe that no tax cuts should go into effect until this Congress faces up to the challenge of reducing Government spending. This amendment ensures that this will happen. Many of us have tried to work on a bipartisan basis on this issue and we will work with Chairman KASICH as we move on to the deficit reduction legislation that must pass before the tax cuts can take effect. We want to cut taxes—let us make sure the spending cuts happen first.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Texas [Mr. STENHOLM].

(Mr. STENHOLM asked and was given permission to revise and extend his remarks.)

Mr. STENHOLM. Mr. Chairman, one of my colleagues was quoted in this morning's paper saying, ''How can anyone today vote against cutting taxes?''

It should be very easy for all of us when we are doing it with borrowed money.

Another colleague stood in the well too long ago and said, ''Imagine $500 laying on this table. Shall we have a family spend it, or shall we have the government spend it?'' Obviously the family, with one small problem. It has already been spent, and to spend that 500 again they have got to borrow it again.

We all know the quote about those who refuse to study history being doomed to repeat its mistakes. Well, I not only studied the congressional history of the early 1980's—I helped to make it. I did it in good faith. I did it with the encouragement of my constituents. But I am determined not to repeat its mistakes again in 1995.

Contrary to my usual optimism, it is hard for me not to agree with the quote:

''What experience and history teach in this—that people and governments never have learned anything from history, or acted on principles deduced from it.''

Think what we are doing, friends. We have a debt which will break $5 trillion by the end of the year. We have annual deficits which are scheduled to continue rising in the foreseeable future. We have a Medicare program which will be insolvent just around the corner, and a Social Security program which will go from having a surplus to running deficits within the next generation.

Our dollar hit a new low today; how can we even be thinking about cutting taxes right now?

I feel particularly sick about seeing history repeat itself in terms of backloaded costs, disingenuous baselines, and a ''spend now/pay later'' attitude which is in the current resolution which is before us today, and I also get very upset and disturbed by the frequent comment on the floor that Democrats have not put a serious deficit reduction plan up for a vote. I have noted that every Member that has stood up and made that comment today who was here last year when we had the opportunity voted against the entitlement cap when we put it on the floor and had a serious effort, every single one that criticized that were here in the last Congress.

Vote ''no.'' Let us stop making the hole deeper.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the distinguished gentleman from New York [Mr. FORBES].

Mr. FORBES. Mr. Chairman, I might point out that my distinguished colleague who has preceded me, there are 114,000 children in the gentleman's district whose parents are eligible for the $500 per child tax credit. This bill would allow middle class families in his district to keep a total of $57 million of their hard-earned money.

Mr. Chairman, we are responding to the will of the American people in enacting the tax fairness and deficit reduction bill. The Clinton administration and their defenders raise taxes on the elderly, they raise taxes on families, they raise taxes on small business men and women, the Main Street merchant, the hard-working Americans, and my folks on Long Island, already carrying a heavy enough burden, they asked for this relief.

It is unfortunate that the mouthpiece for the Clinton administration at the Small Business Administration's Office of Advocacy has come out against this measure of relief for small business men and women while the NFIB, the Chambers of Commerce and all small business groups favor the enactment of this tax fairness and deficit reduction measure. I urge its passage.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Texas [Mr. DOGGETT].

Mr. DOGGETT. Mr. Chairman, let me start by saying how many thousands there are that would benefit from the tax credit in my district; 85 percent of them would still benefit from it if for the 105 Members on the Republican side who signed the letter saying that we ought to change that tax cut had had the courage to stand by their convictions, but we do not have that choice today. We only have the choice presented of extending a tax break to those in the $200,000 range, and this bill, as the gentleman from Texas [Mr. STENHOLM] said, really is about borrowing from all the children in our district in order to pay for this politically motivated tax cut. It is not the American Dream Restoration Act. Its real title is ''Stealing Our Children's Future Act.''

This bill makes the deficit greater in the year 2000 than if we did not do anything. Put another way, if this Congress would just shut the doors and go home, we would be a lot better off as far as the deficit is concerned.

The American people know that this deficit reduction program is not satisfied in this bill, that in fact what we have is a deficit-mushrooming bill, and, when they have been asked, whether it is in the field hearings of the Budget Committee around the country or in the polls like the one the Wall Street Journal recently conducted, well over half of them have said, ''Use the money to pay off the debt.'' Less than a fourth have spoken up in favor of tax reduction.

There has been plenty of talk today about the misuse of statistics. Well, let us take the Republican numbers. They tell us that this tax cut will only cost a mere $189 billion over 5 years. Well, if we had that $189 billion, we would have that much less deficit, but of course it is not $189 billion. It is $630 billion over the next 10 years that we are going to be adding to this deficit, and the claim that it is being paid for is as frivolous as this letter that has been circulated by the chairman of the Committee on the Budget. Surely there is great competition in this Congress for the silliest Dear Colleague letter, but this one that suggests we will pay for it with $100 billion by eliminating duplication and waste of $24 billion is right up at the top. There is not any line item in the budget for eliminating duplication and waste.

It includes things like eliminating the school-to-work program.

Mr. KASICH. Mr. Chairman, I yield 2 minutes to the very distinguished gentleman from the State of Michigan [Mr. UPTON].

□ 1815

Mr. UPTON. Mr. Chairman, I thank the gentleman from the Buckeye State.

Mr. Chairman, deficits do matter They really do. Before I was in the Congress, I worked for a President by the name of Ronald Reagan. I watched a Congress then that promised that they would make $2 or $3 in spending cuts for every dollar that they cut in taxes. And you know what? It never happened. It did not happen. It was a promise that was not delivered on.

In fact, the deficit ballooned by $4 trillion during those years. In 1990, as a Member of Congress, I was asked to go down to the White House to spend a little time with President Bush and talk about his 1990 tax/budget bill. I told him then that I could not support it. I could not support it because his advisers where taking him to the cleaners. In fact, as I reviewed the numbers this last weekend, his budget predicted a surplus of $63 billion in the year 1995. They were $300 billion off.

Mr. Chairman, the Castle-Upton-Martini language that was adopted on this House floor on the last vote recognized three very important principles: No. 1, none of the tax cuts would kick in unless we passed reconciliation later this year that in fact will lead to a balanced budget by the year 2002. The second point was that each and every year if we get off that track, we will have a mechanism to put us back on the track, so that in fact we can achieve a balanced budget by the year 2002, and not end up with something that happened with the Bush budget back in 1990. And, No. 3, that the President will submit a budget that will balance the budget by the year 2002.

The Castle-Upton-Martini language acts as an insurance policy. It insists that we here are going to eat our vegetables even if they are Brussels sprouts before we have our dessert. This legislation passed will in essence make sure that we do not repeat the mistakes of the past.

Mr. Chairman, I urge my colleagues to support this bill.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California [Mr. TUCKER].

Mr. TUCKER. Mr. Chairman, I thank the distinguished gentleman from Minnesota for yielding.

Mr. Chairman, so what is wrong with a $19 billion tax cut for individuals and for businesses? Well, on the surface, nothing. Except two crucial questions: Who and what? Who benefits from these tax cuts, and what will be the cost of these cuts?

First, the wealthiest 1 percent will get 20 percent of the benefits. The wealthiest 5 percent will get 36 percent of the benefits. And the wealthiest 10 percent will get almost half of the benefits, 47 percent. Taxpayers making up to $200,000 will get $11,000, while those making less than $30,000 will receive a paltry $124.

This bill pays for these tax cuts to the rich and corporations by cutting discretionary spending by $100 billion, which has already been cut significantly. We are talking about housing, and we are talking about applying cuts already made in programs like school lunches. The cost of this tax cut over 10 years is $700 billion. This hurts deficit reduction.

This bill should be changed to target families making up to $100,000, the real middle-class. The tax breaks should be for higher education, expenses, and interest on student loans and expanding the number of taxpayers who can deduct contributions to IRA's. The most important thing is all tax cuts should be delayed until OMB certifies that legislation has been enacted that will provide that the budget will be balanced in fiscal year 2002, and that this bill should automatically be repealed if specific targets are not reached each year.

Mr. Chairman, this bill should not be supported, and I urge my colleagues on both sides of the aisle to do what the bill proposes to do, and that is to give tax fairness.

Mr. SABO. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Virginia [Mr. MORAN].

Mr. MORAN. Mr. Chairman, my friend from Michigan mentioned that he worked for the Reagan administration during the 1980's. I worked for the Nixon administration for quite some time. But during the 1980's I was a stockbroker. I sold tax shelters, tax shelters because they paid the highest commission. And most people that came into the office, whatever they invested, we could show them how to avoid paying any Federal income taxes.

I have some familiarity with the way tax shelters work, and I am not particularly proud of the fact that we financed so many see-through buildings, so many investments that had no real economic value, but the people did not care, the investors did not care, because they were not investing for the substantive value of the asset; they were investing because of the tax benefits.

Mr. Chairman, if this bill passes, we will never have enacted tax shelters that are more open to abuse in the history of this Congress. There are two tax shelter areas here that will yield billions of dollars in tax savings and yield no economic value to our economy. The neutral cost recovery system, for example, if you are going to borrow money in the first place to purchase an asset, put it in use for less than 10 years, you will get back your value, because you will depreciate it, plus it will be indexed, plus you are going to get 3.5 percent annual increment.

Now, Mr. Chairman, what happens is we do not index interest costs for inflation, so no one in their right mind will put actual cash down. They will borrow. But there will be a built-in tax credit, a built-in tax shelter.

It is too complex to be able to describe it in a way that anyone in the audience is going to fully understand. I just have to tell you, Mr. Chairman, that we will rue the day that we pass these kind of tax shelters.

The other problem is in the tax capital gains area. I did not even get into the tax shelter and capital gains.

Mr. Chairman, we have to learn from the past. We are going to repeat what happened in the 1981 Tax Act if we are not careful here. I wish Members would read the entire tax bill before us.

Mr. KASICH. Mr. Chairman, I yield such time as he may consume to the gentleman from Colorado [Mr. ALLARD].

(Mr. ALLARD asked and was given permission to revise and extend his remarks.)

Mr. ALLARD. Mr. Chairman, I thank the gentleman for yielding time.

Mr. Chairman, I would just comment, if this bill would pass, the average Colorado family would pay $1,534 in fewer taxes.

Mr. Chairman, I join in strong support of the Contract With America tax relief package. It is time to give American families back some of their hard earned money. Two years ago, President Clinton raised our taxes, today the Republicans fulfill their contract and cut taxes. We are keeping our word.

The American people want lower taxes, and less government spending. This package delivers. Every nickel of this tax cut is paid for with spending cuts, and an additional $90 billion in spending cuts are applied to deficit reduction. In May, we will return with a budget resolution that builds on this legislation and puts the government on a glide-path to a balanced budget by 2002. This will necessitate us capping the rate of growth in spending at 2 percent a year. The difference is that now the Federal Government grows at over 5 percent a year.

I would like to take the time to comment on one provisions in this tax bill that I am particularly pleased with. That is the home office tax deduction.

In the last Congress I introduced home office deduction legislation which was cosponsored by 79 colleagues. This Congress I have introduced H.R. 40, which has been cosponsored by 82 of our colleagues. This legislation is designed to restore the home office tax deduction, which was narrowed a great deal by a 1993 Supreme Court decision.

With April 15, fast approaching the last thing most Americans want to think about is taxes. In fact, the average American must now work the first 125 days of the year to pay all Federal, State, and local taxes.

The bulk of the family tax bill consists of income taxes, payroll taxes, and property taxes. However, one factor which adds to the growing tax bill of many self-employed and small business owners are the new rules governing the home office tax deduction.

Increasingly, it is the little guy who gets squeezed by the tax system. While large corporations can rent space and deduct office and virtually all other expenses, many taxpayers who work out of their home are no longer able to deduct their office expenses.

Traditionally, the tax code has permitted individuals who operate businesses within their homes to deduct a portion of the expenses related to that home. However, over the past 20 years Congress, the courts, and the IRS have reduced the scope and usefulness of the deduction.

The most serious blow came 2 years ago when a Supreme Court decision and subsequent IRS action eliminated the home office deduction for many. Under the Supreme Court's new interpretation of principal place of business a taxpayer who maintains a home office, but also performs important business related work outside the home is not likely to pass IRS scrutiny.

This change effectively denies the deduction to taxpayers who work out of their home but also spend time on the road. Those impacted include sales representatives, caterers, teachers, computer repairers, doctors, veterinarians, house painters, consultants, personal trainers and many more. Even though these taxpayers may have no office other than their home, the work they perform will often deny them a deduction.

According to the IRS, 1.6 million taxpayers claimed a home office tax deduction in 1991. While not all of these taxpayers were affected by the change, many will. Clearly, any taxpayers who operate a business out of their home must review their tax situation.

There are many reasons why a broad home office tax deduction is important. The deduction is pro-family. It helps taxpayers pursue careers that enable them to spend more time with their children. The deduction helps cut down on commuting and saves energy. The deduction recognizes the advances of technology—computer and telecommunication advances mean that more and more individuals will be able to work for themselves and maintain a home office.

The deduction is a boost to women and minorities who are increasingly starting their own businesses. In fact, over 32 percent of all proprietorships are now owned by women entrepreneurs, and Commerce Department data reveals that 55 percent of these women business owners operate their firms from home. Minorities are making similar advances. There are now well over 1 million minority-owned small businesses and a good number of these are operated out of the home.

Finally, the home office tax deduction helps our economy. It benefits small businesses and entrepreneurs who develop new ideas, and create jobs. Many of America's most important businesses originated out of a home office.

Small business is increasingly the engine which drives our economy. With large firms downsizing, entrepreneurs must pick up the slack. The importance of this trend is demonstrated by the job shift that occurred during the slow recovery from the most recent recession. During the period of October 1991 to September 1992 large businesses cut 400,000 jobs while small business created 178,000 new jobs. During the boom years of the 1980s, the vast majority of the 20 million new jobs created were in the small business sector.

It is critical that recent assaults on the home office tax deduction be reversed. That is why I introduced legislation to fully restore the deduction. I was pleased when similar language was included in the Contract With America, and now in this tax bill. With passage of this bill today, we move one giant step closer to restoring the home office tax deduction.

Mr. KASICH. Mr. Chairman, I yield 1½ minutes to the very distinguished gentleman from Arizona [Mr. SHADEGG], a member of the Committee on the Budget.

Mr. SHADEGG. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I might begin by noting my predecessor on the opposite side of the aisle who expressed his opposition to this legislation decided to vote 2 years ago to raise taxes on his constituents by $1 billion, and now opposes a $500 tax credit that would go right to the parents of the 100,000 children in his district. That is the kind of rhetoric which characterizes this debate

Mr. Chairman, I rise in support of this bill. I also listened to my colleague, the gentleman from Utah [Mr. ORTON] a few minutes ago who recently had a son and said it would change his life forever. He asked how would we explain this bill to children. I explain it to children because we are giving their parents a tax credit. His decision to vote against this bill is wrong. It is dead wrong.

As I mentioned, 2 years ago my colleagues on the other side voted to raise taxes. Now they said they cannot cut taxes. It is a consistent pattern on the other side. They believe in raising taxes over and over again.

If we care about children, we must balance the budget, and this bill begins that process. It enacts $100 billion in spending cuts. Not phony spending cuts from a baseline going way up, but real dollar spending cuts. If you care about children, we have got to also cut spending, because the tax burden on America's families today drives spouses into the workplace. Spouses who should be at home and who would like to be at home taking care of their children are forced to go to work. If you listen to their message, it is because of the profligate spending of my colleagues on the opposite side who have controlled this Congress for 40 years and who built a $4.3 trillion deficit, who say we overspent then, so we cannot cut taxes now. Well, I say baloney. It is time to give the American people a break. It is not our money, it is their money. I urge Members to support this bill

Mr. SABO. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Maryland [Mr. MFUME].

Mr. MFUME. Mr. Chairman, Ringling Brothers and Barnum & Bailey came to town today with an elaborate show of elephants and clowns on the Capitol Grounds.

But that does not come close to the high wire act being performed today on the floor of the House by daredevils and acrobats who are attempting, through sleight of hand, blue smoke and mirrors, to pull a rabbit out of their hats while dangling the American taxpayer in mid-air and calling this tax bill deficit reduction.

Federal workers in particular know that this is the new ''greatest show on earth.''

When a Federal employee accepts a position with the U.S. Government, he or she is, in many respects, agreeing to a contract. The employee agrees to provide their knowledge, time, energy,

and a good part of their life, to the Nation we all love.

The Government, in return, agrees to compensate them for their time and provide for them in their retirement.

What we are effectively doing to current Federal workers is changing the rules in the middle of the game. We are telling the 2 million of them that we still expect the same quality and quantity of work, but for less compensation.

We are telling them that despite the fact that they have helped to keep this Nation going, we are not fulfilling our part of the bargain.

It is generally accepted that this legislation is unfair to Federal employees; Members on both sides of the aisle have said as much.

Yet the Republican Party has circumvented the committee system and included the Federal employee pension provision in this legislation. What a dangerous, shameful and dastardly deed.

For the average Federal employee earning $40,000 a year this proposal will impose an additional $1,000 in taxes, disguised as an increase in the contribution to their pension.

More than half of the benefits from the tax package before us will go to families with incomes between $100,000 and $200,000 a year. Two hundred thousand dollars, is that middle-class?

And please do not tell me that the money Federal employees are losing will go towards deficit reduction; because the fact of the matter is that this legislation actually adds to the deficit.

If it becomes law, Congress will be forced to find $1.6 trillion in extra budget cuts or revenue increases over the next 7 years in order to balance the budget.

Federal employees are not extravagant millionaires. They are the hard working men and women.

The 2 million Federal employees, who have worked hard for years, deserve better treatment than this.

They deserve our thanks. They deserve the cost of living increases which are usually denied or delayed. They deserve to be free from unwarranted furloughs, and they deserve to know that they can go to sleep at night without worrying about what Congress or the Republican party will do next to renege on their promises to them.

Mr. Chairman, while Federal employees are the biggest losers under this bill, I don't want to belittle for a minute the negative impact this bill will have on our nation and its deficit.

This legislation will increase the deficit. It rewards the wealthy and punishes the middle-class and working Americans who will feel the brunt of the spending cuts. And, it demoralizes the Federal employees who are necessary to make this Government run.

In the end the difference between last year's Republicans and this year's Republicans is Tweedle Dee and Tweedle Dum. The party that gave us Voodoo economics is now about to give us Robin Hood in reverse. So listen closely my friends, that giant sucking sound that you will hear in a couple of months will have nothing to do with NAFTA, but everything to do with AFTA [Angry, Forgotten, Taxed Americans] who will say to the architects of the Contract on America ''Et Tu, Brutus,'' I can't believe what you say because I see what you do.

Vote no on this misguided piece of legislation and end the charade against the truth, perpetrated in the name of deficit reduction.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the very distinguished gentleman from Oklahoma [Mr. LARGENT], a member of the Committee on the Budget.

Mr. LARGENT. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, in this war of words and charts and ideas, we have heard a lot about the tax consequences and the tax burden on the average family. I would just like to begin by saying that those families that are represented by hard-working parents trying to make ends meet for their children are anything but average. They are exceptional. In fact, they are outstanding, and that is why we need to pass this tax reduction and this spending reduction bill today.

The $500 tax credit is all about allowing those families, those parents, to keep their hard-earned money to make the ends meet for their children. Studies reveal that in 1960 families, parents, spent an average of 30 hours a week in personal time with their children. In 1990, 30 years later, those same parents spent an average of 17 hours in personal time with their children.

I think those numbers correlate with the decline in the moral values that we see in our youth culture today. Parents are not spending the same amount of time with their children. Why, you might ask and should ask? In 1950 the average family gave 2 percent of their hard-earned money to the Federal Government; in 1993, that figure was 24.5 percent. Why are parents not able to spend as much time with their children passing on those values? Because they are having to work to send their money to Washington, DC. That is wrong.

Mr. Chairman, this tax bill that gives relief to hard working parents to help raise their children is the right thing to do.

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Mr. SABO. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Minnesota [Mr. VENTO].

(Mr. VENTO asked and was given permission to revise and extend his remarks.)

Mr. VENTO. Mr. Chairman, our colleague just aptly mentioned, we had the circus on the grounds here, and I thought probably a lot of the Republicans are going to run away with the circus because of everything they want: Clowns, elephants, and they could play they could play their pea and shall game in which they are shifting taxes.

Why are we talking about families? They are not receiving it, because they are not getting the family tax cut. It is not this bill. Forty-five percent of the benefits in the tax cuts in this bill go to corporations in 10 years. The fact is, the remaining part that goes to individuals, the lion's share of that, goes to the wealthy.

You are not doing what you said you were going to do. It is the same story through and through in this bill. You deny you are proposing the policy, deny you are passing the policy, and deny the policy after it is enacted.

Mr. Chairman, it does not take any courage to stand up here and vote for tax giveaways and then put the burden on someone else to do the cutting. Taking away kids lunches, doing things of this nature. That does not take courage.

It took guts 2 years ago to stand here and say, we have to pay if we are going to deal with the deficit. It is tough work. But you are not willing to do that. You just want to go down the easy road in terms of this and pass this tax cut and leave the mess for the American people.

I think this bill ought to be defeated, Mr. Chairman.

Mr. Chairman, today we had the Ringling Brothers Circus on the Capitol Grounds. I would have thought that some of our Republican colleagues, would have run away and joined the circus; it has everything they like: elephants, clowns, and they could have been hired to do their bait and switch trick on middle-income family tax cuts; the old pea and shell game, in which middle-income families get peanuts and in 10 years 45 percent—over $300 billion—of the tax benefits go to corporate America—big business continuing to shift the tax burden onto individuals and families.

Middle-income America gets the shaft when the wealthy families receive over 53 percent of the individual tax breaks—the lion's share—the Republican tax measure. This might get applause as a trick, but this pea and shell, Republican shift and shaft of middle-income families merits a no vote in the Congress today and tomorrow!

Mr. Chairman, I want to join with many of my colleagues in opposing this ill-conceived, poorly timed legislation. For big business and the very rich this bill may very well be the crown jewel of the Republican political agenda, but for the working families who I represent this Republican legislation is a rhinestone, a phony gemstone. This is a tax shift bill, placing, over the next 10 years, more burden on individuals and less on the big business corporations. In fact corporations receive nearly 50 percent of the total tax cuts and today the corporations and big business pay half as much as they did in 1965. This tax shafts the middle-income families who are promised tax breaks. This Republican bill gives those breaks to the affluent—the top income 12 percent get 52 percent of this GOP bill tax breaks. The Republican bill is simply a tax shift and a tax shaft for American working families. The rich get richer and working families get Republican tax cut rhetoric.

There are clear winners and losers under the Republican bill: Family households earning over $200,000 will receive an average tax cut of $11,266 per year while working families earning between $30,000 and $50,000 will receive an average annual cut of $569. Touted as a family friendly bill, the centerpiece of this legislation, the $500 child tax credit, does not help those families with 34 percent of our children. Over 24 million children are denied this tax credit, since their families' income would not be high enough for the credit to apply. While many children will not benefit from this tax bill, these children will pay the price—today and tomorrow—the loss of school lunches, reductions in college loans and a 10 year, $630 billion reduction in revenues to add to the Federal deficit. Welcome to the Republican idea of fairness, the shift and shaft tax Contract on America.

Many of my Republican colleagues talk about this legislation as the reflection of the people's voice in November. I do agree that the American people are angry. But they weren't angry about the rich not paying their fair share. The American people weren't angry that the inheritance exemption is only $600,000. The American people certainly are not mad because corporations now must pay an alternative minimum tax.

But the American people will be yet more angry when they read the fine print of this Republican contract. They will be angry when they learn that the American family rhetoric has been the vehicle to deliver tax breaks that primarily benefit the top 10 percent of Americans. Their anger will be compounded when they understand that the price of their $500 tax credit will be megatax breaks for big business including a major loophole that will allow some corporate giants to get off without paying one cent in taxes, while the middle class gets the bill for the Republicans reneging on their children's education from school lunches to college grants and loans.

Mr. Chairman, the advocates point to the $189 billion in tax breaks over the first 5 years, but this measure is back loaded because in 10 years revenue is reduced $630 billion.

The majority G.O.P. haven't put forth many of the cuts and reductions to achieve such savings and to offset and pay for this revenue loss, those limited cuts that have been advanced are grossly unfair, unworkable, mean-spirited—but none the less most of the Republican cuts are masked in budget ceilings not specific and certainly not achieved.

The Republicans said they would cut spending first but they have reneged on that today.

Mr. Chairman, it doesn't take much talent and certainly little courage to pass massive tax cuts spreading around the tax giveaways to every special interest group on the map. No it doesn't take much thought to give away the store Republican style and that is what this tax bill does: provides instant gratification and a long-term economic bellyache.

The anti-Federal Government rhetoric has led to a tax cut policy that will disable the Federal Government, render the national government unable to responsibly respond to the needs of our Nation. This tax policy path coupled with even the limited reductions in spending advanced this session demonstrate a retreat and abandonment of our responsibilities and the people we represent. Our Nation that has achieved unparalleled economic and social status—not without problems or difficulty but certainly not following an easy Republican policy path.

The hundred days are ending and I want to welcome the American people to the virtual reality of the Republican NEWT Congress. It's a world where you deny your proposing the policy, deny your passing the policy, and deny the policy after it's enacted. The facts are they will: Take the kid's lunch and education; make American workers' jobs pay less at a greater risk to their health and safety; cut the retirement and Medicare benefits for seniors who started the so-called ''class warfare''—well the GOP claimed that this tax measure was a middle income tax benefit—what has been pointed out repeatedly is that this measure tax breaks go to big corporations and the affluent families.

I urge my colleagues to reject this unfair policy and to just say no to the Republican tax shift and shaft policy of more tax breaks for the rich and special interests at the expense of the middle class. This is one main course entree too many in the force fed Republican political hundred day march.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the very distinguished gentleman from Michigan [Mr. SMITH].

(Mr. SMITH of Michigan asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Michigan. Mr. Chairman, this bill does two things. It cuts spending and it cuts taxes. I think we need to ask ourselves the question, what is going to make our communities in this country a better place to live and work and raise our kids?

No. 1, it is to leave some of that hard-earned money in the pockets of the people that made it rather than give it to the Federal Government. A lot of discussion about who gets the advantages. If you happen to be a family that makes less than $25,000, you get a 100 percent tax break. You pay zero. If you are making $30,000, you get 48 percent of your taxes reduced. You see the declining balance? If you make over $200,000, you only get a 2-percent reduction in your taxes.

The other thing is spending cuts. We have built over the last 40 years a $5 trillion debt that we are passing onto our kids and our grandkids. This starts to cut spending.

I know some of those programs are good. So it is easy for the other side to say, do not cut this program, do not cut this program. Well, if we care about spending, if we care about our future, if we care about the $339 billion interest that we are going to be paying this year, one quarter of all revenues coming into the government, we have got to cut spending.

This bill does it.

Mr. SABO. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Pennsylvania [Mr. FATTAH].

Mr. FATTAH. Mr. Chairman, I thank the distinguished ranking member for yielding time to me.

I think it was Franklin Delano Roosevelt who said that paying taxes, after all, was the price we pay for living in a civilized society.

Some on the other side are trying to convince the American people that they can have a free lunch, that we can educate our children, provide for our seniors, deal with the critical needs facing our nation, but we do not have to pay for it.

The reality is that we do have to pay and we will pay one way or the other. The choices that we make provide for us the opportunity to reap the reward, if we make the right choice, or to suffer the consequences, if we make the wrong choice.

They are trying to appeal to the what they, I guess, consider the selfish greed of Americans who want to hold onto their dollars. It is as if dad would come home and say, rather than paying for tuition and books for my children, I will keep a few dollars in my wallet. Rather than to provide for my parents who have made life possible for me, I will keep a few more dollars in my pockets. Rather than to feed the children in the household, I will keep some more dollars in my pocket.

This group of cowboys that are here now, this wagon train of theirs is one that disposes of the young and the old and the disabled in hopes that somehow they can have a more fruitful and more purposeful life. That is not true, and we are going to find out again that we cannot have a free lunch in this country.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the very distinguished gentleman from California [Mr. BAKER].

(Mr. BAKER of California asked and was given permission to revise and extend his remarks.)

Mr. BAKER of California. Mr. Chairman, the previous speaker has 85,000 children in his district, just to keep count. And he will get, if this bill passes, to keep $42 million in his district of their hard-earned money.

You have seen enough numbers and enough charts. Let us cut to the chase. The reason we need capital gains tax relief, the reason we need alternative minimum tax relief, the reason we need the IRA tax relief is because you do not have the courage to cut $213 billion from this budget.

Last year we had a 1-percent cut in the budget. The Democratic side of the aisle cheered when it was defeated by 1 percent by seven votes. You cheered when the Penny-Kasich bipartisan cut was defeated.

This year we had a $17 billion rescission program. That is 8 percent of the budget deficit this year. You could not make the trip. You gave us the rhetoric about the children and hurting the elderly and the same argument you are hearing today.

I will tell you why we are doing it. Because we are going to grow the economy. The only way to balance this budget is to increase the economy as well as hold down the growth rate in Government spending. We are going to do them both. This is the first step in the road of 1,000 miles to save our grandchildren.

That child that was born here today in 1995 will spend $187,000 on interest on the national debt during his lifetime. Please vote aye and save America.

Mr. KASICH. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts [Mr. TORKILDSEN].

Mr. TORKILDSEN. Mr. Chairman, I thank the distinguished chairman of the Committee on the Budget for yielding time to me.

Mr. Chairman, I rise today in support of real deficit reduction and long-overdue tax relief for American families.

Last week I was one of those members with genuine concerns about this package of tax cuts. One of the primary reasons I came to Washington in 1992 was to help reign in the budget deficit which has crippled our economy and threatens our children's economic future.

I was one of 23 members to support linking these much-needed tax cuts with a specific plan to eliminate the deficit in 7 years. This package contains language to guarantee deficit reduction and deficit elimination, and I strongly support its passage.

In 1993, I opposed the Clinton tax increase which unfairly targeted small business and our senior citizens. As chairman of the Small Business Subcommittee on Government Programs, I applaud language in this bill that will reinstate the home office deduction for those who operate their business from their home.

This Tax Relief Act also rolls back the Clinton tax increase on Social Security benefits and raises the senior citizen earning limit.

The problem with government is not that it taxes people too little, the problem is still that the government taxes and spends too much.

This bill will hold this and future Congress' accountable on deficit reduction. For deficit reduction, for a balanced budget and for tax relief, I urge my colleagues to vote yes on this bill.

Mr. SABO. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Minnesota [Mr. SABO] is recognized for 4 minutes.

Mr. SABO. Mr. Chairman, we have heard lots of predictions today. Just let me remind Members that in August 1993, the now Speaker, Mr. GINGRICH, had this to say when we passed the President's economic program.

''I believe this will lead to a recession next year.'' NEWT GINGRICH, August 1993.

What has happened? Employment is up. Unemployment is down. Inflation is low. Growth is strong. Productivity is improving. Factories are operating at high rates. Investment is booming.

The Members who bring this bill to us today were dead wrong in August of 1993 in foreseeing the future. And what they bring to us today is deeply flawed.

I am sure you will hear how this bill is amazing. Well, I find it amazing also.

We hear the new speaker, Speaker GINGRICH, talk of renewing American civilization. Members, if this is renewing American civilization and the values impressed in this bill, I get nervous about this country. Because the values in this bill represent not the best of American ideals but some of the worst.

It is, indeed, a unique Robinhood bill that takes from the poorest to give primarily tax benefits to the rich. Over half the benefits go to people with incomes over $100,000.

We hear a great deal about the children's tax credit. By 2005, that is less than 25 percent of this bill. All the other things for the most affluent in this country explode in cost. And who pays? The poor, children, reduced nutrition programs, women, reduced health programs, poor seniors, low-income housing cut back, low-income fuel assistance cut back, all to pay for this tax cut for the most affluent in our society, at the same time that we are digging the deficit hole deeper.

It is true this bill is paid for over a five-year period of time. But by the year 2000, it increases the deficit by $12 billion. It does not reduce it. It increases it in the year 2001, the year 2002. So all the speeches you hear about deficit reduction and this bill, it has nothing to do with deficit reduction. It just simply digs a hole deeper and makes the job more difficult, requiring more draconian cuts, I am sure targeted at the same people who have been targeted already.

So, Members, we have a real choice today. To some degree it is about numbers, about a deficit that goes up under this bill, about dollars that flow to the most affluent in our society who profited the most from our economy over the last 20, 25 years. But it is ultimately about values, about how we want to structure government, how we want to pay for it, who we want to reward in our tax system.

Clearly, this is a bill that takes from the most vulnerable to help the most affluent.

I urge a ''no'' vote.

The CHAIRMAN. The gentleman from Ohio [Mr. KASICH] is recognized for 4½ minutes.

Mr. KASICH. Mr. Chairman, I yield myself the balance of my time.

Mr. Chairman, first thing I want to say is that I am not angered at all. I am just, frankly, shocked at some of the rhetoric that has come from the other side—I am not referring necessarily to the rhetoric of the gentleman from Minnesota—bragging about the economic plan that passed in 1993.

We had $250 billion worth of tax increases and higher spending. And do you know what, aside from all that, aside from our opinion and our charts and our numbers, we had a referendum, we had a referendum on the president's program.

The American people last November had a chance to go to the polls and cast a vote on what they thought about President Clinton's economic plan.

Remember, he promised he would be a new Democrat. He would reinvent government. He was not going to raise taxes on us. That is what he promised. And he took power, and he got bought off by the special interests who run this town, who love the status quo, who love big government, who love big Washington, who love bureaucracy and who hate change.

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Guess what? The American people had their say last November. They said no, no, a thousand times no. For the first time in 40 years they put the Republicans in charge of the House. For the first time in 40 years, they rejected that plan of the status quo.

What are Republicans talking about? Let us talk about some of our Federal programs and how Republicans want to downsize.

We have 163 job training programs in the Federal Government. I put this together in about five minutes. This is just a short list. There are 23 separate programs to prevent child abuse, eight separate programs on child care, 42 separate programs for health professions education, 300 separate economic development programs, nine agencies promoting trade, 71 departments and agencies duplicating the functions of Commerce.

Guess what, Mr. Speaker? Our taxpayers who work hard every day are paying for this duplication. Do Members know why it goes on? Because it is the people's money, not their own. It is time for it to be stopped.

Let me suggest what we also have done in the area of our social program: welfare reform. Do Members know what people in America say about welfare reform? The say it does not work, it creates dependency, fosters so many of the wrong things. They want to help people who need help. That is the old American Judeo-Christian principle: help those who are in need. However, let me also suggest that it is wrong to help those who do not need to be helped.

The Republicans have finally passed a welfare program through this House that the American people have been calling for for 25 years. Let me suggest, in the area of cash welfare, what does the Republican plan do? It increases spending over the next 5 years. Child care goes up. Child protection goes up. School nutrition goes up. Family nutrition goes up. SSI goes up. Food stamps go up.

What is the total? We go from $81 billion to $100 billion in spending to help the poor under the Republican plan. And what the liberals in this Congress say is, ''It just still isn't enough, and we have to take more from taxpayers.''

Forget it. We are reinventing the system, we are imposing discipline, and we are responding to what the American people want in this country.

Mr. Chairman, let us talk about this President's budget and what we have out here today. We have $190 billion

worth of tax relief. For who? If you have children, you are going to get a $500 tax credit. Why? Because you can spend the money better on your kids than the bureaucrats can who are camped in all these buildings across this town. That is part of what we want to do.

Secondly, if you are poor, we want to give risk incentives for people to invest and create jobs so your kids can go to school, they can have a better life, and they can become president of the bank or President of the United States, any man or woman. What we do is we have deficit reduction to the tune of $27 billion.

The President's budget that he sent this year, shame on what he sent us, increases the deficit by $31 billion. What have Republicans done? We have cut taxes. We have provided relief. We have made a down payment on the deficit. And Members have seen nothing yet, because in May we are going to complete the number two job, which is basically this: balance the Federal budget. Just wait. The American people are on our side.

The CHAIRMAN. All time has expired under the control of the Committee on the Budget.

Under the rule, 1 hour of general debate remains, to be controlled by the Committee on Commerce.

The gentleman from Virginia [Mr. BLILEY] will control 30 minutes, and the gentleman from Michigan [Mr. DINGELL] will control 30 minutes.

The Chair recognizes the gentleman from Virginia, [Mr. BLILEY].

Mr. BLILEY. Mr. Chairman, I yield myself 2 minutes.

(Mr. BLILEY asked and was given permission to revise and extend his remarks.)

Mr. BLILEY. Mr. Chairman, this is a good bill. We all should support it.

In my home town of Richmond, I have seen how hard it is for young families, almost impossible for them to own their own homes. They are working two jobs, and they are still living from paycheck to paycheck. Things like a new car, a new appliance, a short vacation with the kids are out of reach. It is almost impossible for them to get together the down payment for a first home.

The culprit is not that they are irresponsible. The culprit is the Federal Government that was soaking up their money like a sponge.

In my own district, there are 127,941 children whose families will be eligible for this tax cut. Altogether, it will bring almost $64 million into our community every single year.

Let us put an end to this class warfare demagoguery. Fully 75 percent of this money will go to families with combined incomes, that is mother and father combined, of $75,000 or less. Yes, 75 percent will go to families with $75,000 or less income.

Another provision in this bill removes, or at least raises the cap, on earnings for senior citizens who are retired from the current $11,000 to $30,000 over 5 years. Many of our seniors put away some money for their retirement, only to find inflation has made it so that they must work. They want to work, they are physically able to work, but we put this penalty on if they work and earn more than $11,000.

This is a good bill. Let us get on the bandwagon and let us support it.

Mr. Chairman, I reserve the balance of my time.

Mr. DINGELL. Mr. Chairman, I yield such time as he may consume to the gentleman from Oregon [Mr. DEFAZIO].

(Mr. DEFAZIO asked and was given permission to revise and extend his remarks.)

Mr. DEFAZIO. Mr. Chairman, I stand in opposition to this Republican tax giveaway.

Mr. Chairman, the legislation before us will not provide meaningful tax relief for the middle class, but instead is merely a giveaway for corporate American and the Nation's wealthiest taxpayers. Most importantly, the Republicans have not come up with enough revenue to pay for the more than $600 billion shortfall over the next ten years. Our first responsibility is to get the deficit under control, not hand out politically popular goodies for multibillion dollar corporations and families that make more than $200,000 a year.

Our country now owes more than $4.6 trillion, and that figure is growing fast. The interest payment on this debt will exceed $200 billion this year. Worst of all, we're adding to that debt at the rate of $4 billion every single week. Our first priority should be to reduce the deficit, not engage in politics-as-usual.

I must admit, the Republicans have made some attempts to pay for their tax giveaway. Tax cuts would be paid for by cutting $110 billion out of a number of domestic programs, including WIC, food stamps and other Federal nutrition programs, Medicare, and welfare for legal immigrants in the United States. In addition, Federal employees would be required to increase their pension fund contributions. The increase is expected to cost a Federal employee earning $30,000 a year an additional $750 in taxes each year.

And what does the Republican's tax plan pay for? Not relief for the average families. The Republican majority tax cut proposals would give only a nod toward tax relief for middle income families. In the Republican plan, a family would receive the so-called family tax breaks if they earn between $20,000 and $250,000—those who earn less than $20,000 would receive nothing.

When you take the other tax breaks into account, the average family doesn't do much better, but the rich would see a windfall. Families making more than $200,000 would see more than $11,000. Let me put that into perspective. Average families may see enough of a tax break to pay for a tank of gas each month. However, if you make more than $200,000, your tax break would be enough to buy a new BMW. That is right, the rich will get enough of a tax rebate for the monthly payments on a new luxury car.

I am particularly outraged over the Republican proposal to do away with the alternative minimum tax for profitable corporations. There was a huge public outcry during the early 1980's when many were very large and profitable corporations paid little or no income tax. Some of these corporations even received refundable tax credits. For example, AT&T made $24.9 billion in profits from 1982–1985. However, their team of tax lawyers wrangled a rebate of $636 million from the U.S. Treasury. The alternative minimum tax was established to stop large corporations from abusing the tax code. A repeal of this system would represent a government subsidy of the Nation's largest corporations and cost the Treasury $17 billion. I can't support that.

This Nation does need tax relief for working Americans and small businesses. I examine tax proposals to see whether working Americans would benefit. First, does it address the inequities of the last two decades when middle income people paid the largest share of increases? Second, if the proposal includes a revenue decrease, does it also include a corresponding revenue increase to ensure that it doesn't increase the federal debt? For example, I would support cutting taxes for working Americans, while also increasing the share of taxes paid by foreign multinational corporations, which enjoyed substantial windfalls in the 1980's.

One of my colleagues tried to put forward legislation this week to end special tax breaks for multinational corporations and foreign investors. Unfortunately, the Republicans did not allow us to vote on the language by Representative EVANS. We will have no opportunity to save $24 billion in revenue by closing loopholes and special tax breaks for these foreign investors.

I agree, we have got to encourage savings and investment in this country. I would support an equitable capital gains tax cut that really encouraged long-term, productive investment and job creation in the United States. That's not the case with the Republican proposal, which established no limits on the types of investments, nor provided adequate incentives for longer term investment. Only about 25 percent of this multibillion dollar tax break would go to families earning less than $150,000 a year—the same families who were hit hard by the tax changes of the 1980's. Most families would get no benefit at all.

The proposed capital gains tax cut would not distinguish between the rapidly growing world of high stakes gambling in derivatives, and other speculative investments, versus productive investment. When I think of how such a tax cut could truly benefit working Americans, I think of the Oregon family who realized the fruits of 35 years investment in a tree farm. Shouldn't the tax codes encourage this type of investment as opposed to derivative speculation on Wall Street? Unfortunately, the Republican proposal does not discriminate between productive investment and speculation.

So at the end of the Republican majority's first hundred days. Here's the heart of the Republican agenda. Take from the middle class and the needy, and give to the rich. It is trickle down economics all over again, and we know how well that worked in the 1980's.

Mr. DINGELL. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Missouri [Ms. MCCARTHY].

(Ms. MCCARTHY asked and was given permission to revise and extend her remarks.

Ms. MCCARTHY. Mr. Chairman, I rise in opposition to H.R. 1215, the Contract With America Tax Relief Act of 1995. However, before I enumerate the concerns I have with the bill, let me make a few general remarks about tax legislation and the process that brought this bill to the floor for consideration.

As the former chairperson of the Ways and Means Committee in the Missouri House of Representatives, I take great interest in the tax legislation before the House today and bring considerable knowledge and experience in crafting bipartisan tax legislation. However, if I have one lament about moving from the state legislature to the national body, especially as we enter the denouement of the contract period, it is the intense level of partisanship that exists in this body when it comes to formulating policy. Here was a prime opportunity, that has now been lost, for Democrats and Republicans to work together on important tax reform issues. Because Republicans insisted on keeping to a political schedule instead of working to craft sound tax policy, they lost the opportunity to work with me and other Democrats who favor tax reform.

This is not to say that I opposed all the provisions in this tax bill. In fact, there are a good many provisions in the bill that I favor. The provisions on IRA's, capital gains and other tax reforms notwithstanding, I believe this legislation is fatally flawed because it turns its back on the most compelling issue facing this Congress, which is the need for deficit reduction. The Republican attitude regarding deficit reduction ignores the message elicited at the town hall meetings that were held throughout the country earlier this year by Mr. Kasich and the Budget Committee, where people overwhelmingly expressed their support for deficit reduction over tax cuts. Adding an additional $660 billion over 10 years to the deficit, when we currently face annual budget deficits of $200 billion, is not in line with the commitment I made to balance the budget, nor in line with the wishes of the people in my district.

Any change to the tax code produces winners and losers. What is troubling and what has been made clear throughout this debate on the items in the Republican contract is who the majority has elected to help and who they have elected to disregard. As I have stated, I am not opposed to certain tax reforms. I have, however, serious problems with the way the tax cuts in this bill are structured and who the majority relies on to pay for their tax cuts. For example, the Republican majority decided to cut child nutrition programs, loans for college students and programs for the elderly, as well as increase taxes on Federal employees, to pay for tax cuts that mainly accrue to the top wage earners in this country.

It is worth noting that many conscientious Republicans (106) also made clear their opposition to the way the tax bill was structured when they signed a letter to the Republican leadership stating that providing tax credits to families earning up to $250,000 was not advisable. In addition, it is estimated that 70 percent of the tax savings from the capital gains cut will go to those making $100,000 or more.

Another concern is the impact this legislation will have on State revenues. Because of linkages between the Federal and State tax systems, the State of Missouri is estimated to lose $1.2 billion in revenue over the next 10 years. This potential revenue lose could leave an enormous budget hole for Missouri. This body recently passed legislation to shift enormous Federal responsibilities back to the States. We are now telling the States in this legislation that you will have even fewer dollars to carry out those obligations.

For these, and many other reasons, I cannot and will not support this legislation. Put simply, the Republican tax measure is not sound tax or fiscal policy.

Mr. DINGELL. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, it is all very simple. This is a Robin Hood in reverse tax proposal. It is part of a package which is geared to help the rich and to hurt the poor. If we look, we will find that better than 50 percent of the tax reductions are going to go to those who earn more than $100,000 a year, the top 1 percent of the population of the country.

Beyond that, it is going to cut programs which are important to people. It is going to cut the school lunch program. It is a bill which will cut the Women, Infants, and Children program. It is going to eliminate one of the most successful nutrition programs in the history of this country.

It is a package that is going to cut school loans, college loans, college scholarships, and summer jobs. When we read this against the rest of the Contract on America, we will find out why this proposal should be rejected.

Mr. Chairman, I urge my colleagues to reject this tax cut. It is unfair. I urge my colleagues to wait and to support the Democratic alternative, which will be a better package, fairer to everyone. It is going to strike, among other things in this package, the retirement taxes and the benefit cuts that Civil Service employees have worked for for a lifetime, that increase their costs solely to benefit the well-to-do.

Mr. Chairman, the Medicare, Energy, and Telecommunications provisions of this bill reported by the Commerce Committee exemplify the tangled and deceptive nature of the measure before the House.

This bill's title falsely advertises tax fairness and deficit reduction. The bill accomplishes neither. Nothing in the title of the bill advertises the fact that it imposes $10 billion in new costs on Medicare beneficiaries, providers, and employers. Nor does it mention a hastily drawn sale of a government asset, the Uranium Enrichment Corporation.

In a most curious piece of theater, the Commerce Committee was summoned to a markup a few weeks ago to consider this assortment of unrelated health, energy and communications measures.

In a Congress filled with surprises and irregular procedures, were we getting a jump on reconciliation and beginning the process of deficit reduction? My hopes were dashed. In the markup, Republicans made clear that we were not meeting for deficit reduction, when every Republican voted against our amendments to devote the savings from almost $10 billion in Medicare cuts, from extended auctions of spectrum licenses and from the sale of the uranium enrichment corporation exclusively to deficit reduction.

In Medicare, the Republicans here propose raising premiums as much as $120 per year, shifting costs onto employers, and reducing payments to providers. Let us be straight with the elderly about what would happen under this bill. You will pay more in health insurance premiums to finance this tax cut.

With respect to the extension of competitive bidding authority for radio licenses, Commerce Committee Democrats objected to the fact that the legislation was approved without a hearing or any attempt to determine whether, in fact, competitive bidding authority ought to be extended. For example, during the markup both Republican and Democratic Members expressed concern about the manner in which the Commission was utilizing this authority with respect to licenses in the Specialized Mobile Radio Service [SMR]. These concerns should have been vented during an oversight hearing and not raised for the first time at a markup.

Ironically, during the same week that H.R. 1218 was introduced and approved by the Committee, a court issued a stay to prevent the Commission from using its competitive bidding authority to issue licenses for one group of licenses for broadband PCS. These are blocks of frequencies reserved for ''Designated Entities'', including small businesses, firms owned by minorities and women, and small telephone companies.

Many of our colleagues support the ''Designated Entity'' approach adopted by the Commission. No matter what our position, however, it is irresponsible to approve H.R. 1218, thereby blessing the Commission's ''Designated Entity'' policies, without conducting the necessary oversight so as to determine whether the underlying statute ought to be modified or in some way clarified.

Similarly, many of us want to privatize the U.S. Uranium Enrichment Corporation. We made privatization part of the 1992 energy strategy legislation. However, in the majority's rush to generate revenues to finance tax cuts, the committee allowed itself to be swept up in a hasty and imprudent process. As a result, the committee and the Congress are largely in the dark as to whether the American taxpayer will realize a fair return from the sale of the Corporation.

No hearing was held on the underlying bill. In fact, Chairman SCHAEFER's questions following a February 24 oversight hearing on the Corporation have not been answered. These outstanding matters include applications of the antitrust laws, rights to sensitive technology, and disposition of recycled Soviet weapons materials under a contract the Corporation entered into in 1994, including the difficult issue of matched sales.

My colleagues on the other side have restored to an odd rhetorical gesture to justify some of these cuts: the cuts, they argue, are in President Clinton's budget. We should all note the irony of Republicans taking such comfort in the recommendations of a President they have so pilloried. The President, to his credit, has laid down a comprehensive budget proposal. Republicans have not. The President has expressed opposition to putting further burdens on the elderly. Republicans seem to welcome the opportunity to impose them.

This legislation is poorly conceived and hastily drawn. I urge its defeat.

Mr. Chairman, I reserve the balance of my time.

Mr. BLILEY. Mr. Chairman, I yield 3 minutes to the gentleman from Tampa, FL [Mr. BILIRAKIS], chairman of the Subcommittee on Health and Environment of the Committee on Commerce.

(Mr. BILIRAKIS asked and was given permission to revise and extend his remarks.)

Mr. BILIRAKIS. Mr. Chairman, I would like to use my time to address three of the provisions of this legislation that are of particular importance to my constituents: the increase in the Social Security earnings test, the repeal of the Clinton administration's tax increases on Social Security benefits, and tax incentives for private long-term care insurance.

In 1980, Florida had in excess of 1½ million individuals aged 65 or older. In 2000, more than 3 million Florida residents will be 65 or older.

Florida is first in the Nation in percentage of the population 65 years and older—and by this measure, my district is one of the oldest in the country. Thus, the three provisions of this bill that I am emphasizing today are very important to my constituents.

First, as a long-time supporter of eliminating—not just increasing, but eliminating—the earnings test; as a cosponsor of H.R. 300, the Older Americans Freedom to Work Act, in the previous Congress and as a signatory of the Contract With America, I am delighted that we are finally taking action on these matters today.

I simply do not understand why—through the current Social Security law—we want to penalize retired individuals willing to work by forcing them to lose a portion of their Social Security benefits if they have income above a certain level.

The current earnings test amounts to an additional 33 percent marginal tax rate—on top of existing income taxes—and punishes seniors who choose to remain productive beyond age 64. This makes no sense. We should be encouraging rather than penalizing productive, experienced people who want to work.

In fact, our work force benefits greatly from the expertise of older workers—and our young workers can gain much from the experience of their older counterparts.

Second, this legislation provides further tax relief to middle-income seniors by repealing the tax increase on Social Security benefits enacted by the previous Congress.

I just do not believe that this type of tax burden should be borne by our older Americans, and by reducing the taxable portion of benefits from 85 percent back to just 50 percent—the level prior to enactment of the 1993 Clinton tax law—we can make a bold statement in affirmation of this belief.

Finally, let me touch briefly on one final component of this bill, tax incentives for private long-term care insurance and for families caring for a dependent elderly parent or grandparent in the home. As the author of bipartisan consensus health reform and other legislation in the previous Congress that sought to establish similar incentives, I am particularly proud of these provisions.

Everyone is concerned with the high cost of long-term care insurance, and with more than 7 million elderly Americans in need of long-term care today, these incentives certainly belong in this package.

Mr. Chairman, I strongly encourage all of my colleagues in the House to reach out to America's seniors today by voting for and passing this legislation.

Mr. DINGELL. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from New Jersey [Mr. PALLONE].

Mr. PALLONE. Mr. Chairman, I want to address my remarks to the aspect of this legislation that deals with the U.S. Enrichment Corp. I am opposed to the use of the funds for the sale of the U.S. Enrichment Corp. for the tax cut plan.

The U.S. Enrichment Corp. took over the Department of Energy's uranium enrichment program in July 1993. Under the Energy Policy Act of 1992, the Enrichment Corp. is required to prepare a strategic plan by July 1 of this year on prospects for privatization.

That plan is to consider alternative means of transferring ownership to the private sector and identify the preferred method of privatization. The 1992 act also provides that the corporation may not implement the plan without Presidential approval, and cannot privatize less than 60 days after notifying Congress of its intent to implement the plan.

Mr. Chairman, none of these things have happened. I would suggest that what we are doing today is premature. In fact, when we had a hearing of our Subcommittee on Energy and Power on February 28 this year, a lot of questions were raised about the proposed privatization.

A letter, in fact, was sent by the chairman of our subcommittee, the gentleman from Colorado [Mr. SCHAEFER], asking various agencies for input on the terms of privatization.

We do not have any answers to the letter from the chairman. We don't ever know what the proceeds will be from the sale of the corporation.

Mr. Chairman, my criticism has nothing to do with the overall merits of the tax cut plan. It simply should not include potential proceeds from the sale of the U.S. Enrichment Corp.

Mr. BLILEY. Mr. Chairman, it is a pleasure to yield 2 minutes to the gentleman from New York [Mr. PAXON], chairman of the Republican Congressional Committee.

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Mr. PAXON. Mr. Chairman, over the past 90 days and certainly today we have heard two different visions of America enunciated here on the House floor. The Democrats view is America is a Nation of class warfare. They believe that to climb the ladder of opportunity you must pull someone else down.

In the Democrats' America, bureaucrats should make key decisions for families, the government will grow and taxpayers will pay more and more. Our vision of America is different. Our key goal is to empower families, not bureaucrats. To do this we cut spending and let taxpayers keep more of their hard-earned tax dollars. In so doing together, all Americans can renew the American dream of hope and opportunity.

Now, for the past 40 years, Democrats have fulfilled their vision of this country. In 1950 Washington took 5 percent of family income. Today government takes a full 40 percent. As a matter of fact, the 40 percent the government takes in taxes is more than the family budgets for food, clothing, and shelter in this Nation combined. Tonight we scale back Washington's share and we increase the share the American family keeps.

How do we do it? For example, the $500 per child tax credit puts a quarter of a billion dollars back in the pockets of families in the nine counties I represent in the Buffalo, Rochester, Finger Lakes area. That is 447,000 children who will each receive, their families will receive $500 tax credit. In my region 15,000 couples are married annually. They will keep money when we scale back the marriage penalty, and 28,000 seniors in my region will keep more when we repeal the marriage tax penalty.

The bottom line is kids, families, seniors benefit. It is good for this country, it will help renew the American dream. Tonight, finally a tax bill American people will like to receive from the government.

Mr. DINGELL. Mr. Chairman, I yield 2 minutes to the gentlewoman from Oregon [Ms. FURSE].

Ms. FURSE. Mr. Chairman, plain and simple, the answer on this bill is we cannot afford it. We cannot afford to give tax breaks to people who do not need them, even if they are our friends, and we cannot afford to cut school loans, housing assistance, school lunches, nutrition for the elderly because that will hurt our future. Now we can afford to cut some other programs, but if we cut programs, we need to put that saving to the deficit, not to tax cuts for corporations.

We hear a lot today about this $500 child credit, but I would like to tell you who gets the credit. One-third of the children of America will not get any credit, and yet they will be the ones who most need it because they will be the children, the one-third who are in the lower tax bracket. They will not get the break, but, Mr. Chairman, they will get the debt. You have to have enough money to file an income tax return to get this $500, but those one-third of American children will not have that money.

Now what about this tax break? OK. If your income is between $30,000 and $75,000, where most of us are, you will get $760 in return, but you will also get higher interest rates. But if your income is over $200,000, you will get $11,000 in a tax break. That is a great deal. Except that 41 million households are in that first category getting $760, and only 2.8 million will get the $11,000. Same old story, once again the rich are getting richer.

Now, some of our biggest corporations under this bill will not pay any taxes. Now, we all love to give large expensive gifts to our friends, but if it hurts our children and our elders, we just cannot afford it. We cannot afford this bill.

Mr. BLILEY. Mr. Chairman, I yield myself 30 seconds.

Mr. Chairman, I note for the record that the Member who just spoke cast the deciding vote 2 years ago to raise the taxes on constituents of her district by $808 million and now opposes a $500 tax credit that would go right to the parents. There are 127,000 children in her district. In fact, the bill she opposes would allow the middle-class families of her own district to keep a total of $63 million of their own hard-earned money.

Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. OXLEY].

(Mr. OXLEY asked and was given permission to revise and extend his remarks.)

Mr. OXLEY. Mr. Chairman, during the first 100 days of the Contract With America, I have repeatedly received three words of advice from my constituents in Ohio's Fourth Congressional District: ''Keep it up.'' The people I have talked with in my district are pleased that we are carving the lard out of an obese bureaucracy that micromanages our lives. They feel more secure knowing that we have passed a real crime bill this time, and they think it is about time that we revived the principle that the route to prosperity is through work, not welfare. They support our approval of the balanced budget amendment and respect us for facing up to the hard decisions needed to reduce the deficit.

They have consistently told me one other thing. We are overtaxed and we need relief. I have been struck by one remarkable statistic. The average American family spends about half of its budget on Federal, State, and local taxes. Hardworking families just cannot afford to raise children and feed a hungry bureaucracy as well.

H.R. 1215 represents a long overdue down payment on tax fairness. It provides relief for families and senior citizens, establishes critically needed savings, and encourages private sector investment that will promote economic growth and create thousands of jobs. The average taxpayer in my State of Ohio will save about $1,400. That is $1,400 for an individual family to spend rather than spent by a faceless Federal bureaucrat.

Importantly, this $189 billion tax cut is fully paid for by responsible budget cuts and savings. To cite just one example that I have had a personal interest in, it is estimated that $2 billion, that is $2 billion in savings, will be realized through the extension of the Federal Communications Commission's spectrum auction authority. I sponsored the legislation that originally paved the way for these auctions which have already raised over $9 billion for the U.S. Treasury. Read that, the taxpayers.

H.R. 1215 is a bill that all of us should support. The taxpayers have earned it, they deserve to keep it.

Mr. Chairman, I ask for a strong support of this legislation.

Mr. DINGELL. Mr. Chairman, I yield 1 minute to the distinguished gentlewoman from California [Ms. ESHOO].

Ms. ESHOO. Mr. Chairman, millions of middle-class Americans make sacrifices for their children every day.

How many times have we known parents to put off buying a new car to pay for their childrens' education? How many times have we seen parents postpone their vacation to save for their kids' tuition?

Yet today, we are considering giving huge tax cuts to the privileged few instead of investing in our children's education and our country's future.

Is this what the American people really want? I don't think so. I represent one of the wealthiest districts in the country they want deficit reduction and they recognize that education is an investment.

Middle-class Americans do need relief—they need relief from the ever climbing costs of education—the seed corn which allows our Nation to harvest a trained work force.

They want deficit reduction—not a Republican deficit buster which doesn't invest in our future or address the fundamental issues which face our country.

I urge my colleagues to reject this so-called crown jewel of the contract. It's costume jewelry. Education produces the true crown jewels in our families, our communities, and in our country.

Mr. BLILEY. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio [Mr. TRAFICANT].

Mr. TRAFICANT. Mr. Chairman, America's tax system stifles growth, kills commerce, slows investment, and destroys jobs. Our tax code must be changed, it must be energized, it must be incentivized. That is why I rise to support this bill. The Republican plan does cut taxes on families, American families. The plan does cut taxes on business, American companies. It does cut taxes on senior citizens, your parents and grandparents as well as all other Americans. These are tax cuts for your constituents and my constituents and they make sense, and I think it is time to stop the class warfare around here. If people with money do not invest their money in America, poor people will only have welfare and never get a job in this great country.

It is time to utilize the Tax Code to leverage the private sector, where jobs are created, where American workers get a paycheck, not a handout, and they pay taxes and keep this train coming down the track. Now, I would like to see the ceiling for that child tax credit dropped down to $90,000 and hopefully that will happen, and I would like to see us repeal section 903, change section 956 of the code. We give too many foreign tax loopholes in there. I would like to see tax credits for investment in America, tax credits for the purchase of American-made goods. Every study says it is a tax break, and in fact it raises revenue. I could not get the party here to look at it.

H.R. 389, 391 and 392 should have a hearing. But, Mr. Chairman, let me say this, America needs capital punishment, but we do not need it in our tax code. Capital gains deserves a change at this modified realistic level. You know, grandma and grandpa and our farmers are not exactly Daddy Warbucks around here.

But I would like to remind my Democrat colleagues of one thing. I will support the Democrat substitute. I like the language that deals with education. But let me say this: There are a lot of Ph.D.'s in New York driving cabs. It is time to incentivize the tax code. Our current system is anti-family, anti-business, anti-parents, anti-investment, anti-jobs, and it is anti-smart.

One other thing. The Republicans do not necessarily have a patent on tax cuts. John Kennedy cut taxes for much of the same reason the Republican party is addressing this issue, and I am not going to put him down for that. But it is time to get away from it. The tax code basically divided America, old against young, worker against company, rich against poor, and I come from as poor a family as anybody in the Congress, and my dad never worked for a poor person, never.

If we are going to create jobs, we are certainly not going to do it with the tax code that we have. I keep hearing about all this great economy. My God, of the top 50 banks in the world, the top American bank was listed at 29. We are still bailing out the savings and loans. Most pension plans are underfunded. Jobs are still being shipped overseas. We have got a record trade deficit. Right now America is buying back American dollars with borrowed American dollars from Japan and Germany to save the endangered American dollar.

Beam me up here if things are so great. Let us change the tax code. I support this bill, and it is time to put this class warfare aside.

Mr. DINGELL. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Michigan [Mr. STUPAK].

Mr. STUPAK. Mr. Chairman, over the past few weeks I have been coming to this floor to talk about what I call

the Republican version of the AFDC, not Aid to Families with Dependent Children, but aid for dependent corporations. Over this 100 days we have seen the Republicans repeatedly reward the privileged and special interests while trying to do cuts in veterans programs, student financial aid, and law enforcement, and in this bill there is a $5 billion cut for law enforcement.

This tax bill is another example of those misguided priorities. The Republican tax plan essentially repeals the corporate income tax by phasing out, among other things, the corporate alternative minimum tax, a provision of the tax code that was put in in 1986 to ensure that profitable corporations pay a fair share of income taxes. This alternative minimum tax repeal was not included in the original Contract on America, but was inserted at the last minute following pressure by corporate lobbyists and special interest groups.

I offered an amendment before the Committee on Rules to delete the phase-out, but that was not made in order by the Republican leadership.

What does the alternative minimum tax mean for average working Americans? It means that corporations cannot use attorneys and tax loopholes to avoid paying a minimum level of taxes. Every year thousands of parents make room in their household budget to buy school supplies for their kids. Like this 99 cent bottle of glue. Most of you do not know that in 1981 virtually every parent who purchased a bottle of glue like this paid taxes, more than the company that produced it.

According to the watchdog group Citizens for Tax Justice, in 1981 the producer Borden Company, makers of the glue, despite a profit of over $200 million, paid no income taxes.

□ 1915

In fact, they got back $14.9 million in income tax credits. This is the very thing which the corporate minimum tax was designed to stop and to end. Even President Ronald Reagan supports the alternative minimum tax.

Mr. Chairman, this is a bad bill, it is going to stick it to big corporations and we must not allow big corporations to take advantage of another tax loophole brought forth by the GOP.

Mr. BLILEY. Mr. Chairman, I yield myself 3 minutes and I will take this time to engage in a colloquy with the chairman of the Committee on Ways and Means.

Mr. ARCHER. Mr. Chairman, will the gentleman yield?

Mr. BLILEY. I yield to the gentleman from Texas.

Mr. ARCHER. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, in title III of this bill, H.R. 1215, the Tax Fairness and Deficit Reduction Act of 1995, a tax provision was originally included in language providing for the privatization of the United States Enrichment Corporation. As the gentleman knows, Federal tax provisions are within the jurisdiction of the Committee on Ways and Means. As a consequence, I requested that the Commerce Committee chairman ask the Rules Committee to remove this specific provision from the language providing for the privatization of the U–S–E–C, with the understanding that the issues surrounding the tax treatment of the privatization will be fully addressed in conference.

Mr. BLILEY. Reclaiming my time, Mr. Chairman, the distinguished chairman of the Ways and Means Committee correctly states that a provision was include in the bill providing for the privatization of the U–S–E–C that would ensure that the first step in the privatization of the U–S–E–C would be a nontaxable event. It is my understanding that this is how the Internal Revenue Service should treat the event in question; given the immense size of this transaction, the Commerce Committee simply wanted to be certain that there would be no ambiguity in the tax consequences of this aspect of the privatization. I would tell my good friend that after his concerns were brought to my attention, I concurred that the provision falls within the jurisdiction of the Ways and Means Committee, and agreed to ask the Rules Committee to remove the specific tax language from the bill with the understanding that we would deal with this issue at a later time, after we have had an opportunity to confer on the best way to ensure the sound and effective privatization of the U–S–E–C. Our two committees have exchanged correspondence detailing this situation, and I would request that these letters be incorporated into the RECORD at the appropriate point.

I think both of us agree on the intent of the provision, and I look forward to working with my good friend, the chairman of the Ways and Means Committee, to accomplish a responsible tax provision in conference, and I thank him for his cooperation today.

Mr. ARCHER. The gentlemen is correct, and I will work with him to include appropriate tax provisions in conference.

Mr. Chairman, the letters referred to are as follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
*Washington, DC, April 3, 1995.*

Hon. THOMAS J. BLILEY, Jr.,
*Chairman, Committee on Commerce, House of Representatives, Washington, DC.*

DEAR CHAIRMAN BLILEY: On March 28, 1995, the Chairman of the Committee on the Budget, Mr. Kasich, introduced the bill H.R. 1327, the ''Tax Fairness and Deficit Reduction Act of 1995'', which incorporated the text of H.R. 1215, the ''Contract with America Tax Relief Act of 1995'', along with other necessary offsetting spending reduction provisions. I understand that the text of H.R. 1327 is to be considered as the base text for floor consideration of H.R. 1215 this week.

H.R. 1327 includes the provisions of H.R. 1216, a bill to provide for the privatization of the United States Enrichment Corporation (USEC), reported by the Committee on Commerce on March 23, 1995.

Section 3006 of H.R. 1327 includes a provision regarding the tax treatment of the USEC privatization. This matter lies within the jurisdiction of the Committee on Ways and Means, and was reported contrary to Rule XXI, clause 5(b), which provides that no bill carrying a tax measure may be reported by any committee not having jurisdiction to report tax measures.

On that basis, I would respectfully request that you write to the Chairman of the Committee on Rules and ask that the rule for floor consideration of H.R. 1215, as amended, delete the tax treatment provision in Section 3006. This action would be done with the understanding that the provision would be treated without prejudice as to its merits when considered, as appropriate, by the Committee on Ways and Means during the course of its legislative agenda later this year.

Your cooperation in this matter is greatly appreciated.

Sincerely,

BILL ARCHER,
*Chairman.*

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
*Washington, DC, April 3, 1995.*

Hon. GERALD B.H. SOLOMON,
*Chairman, Committee on Rules, House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: On March 27, 1995, I wrote to you requesting a rule for floor consideration of H.R. 1215, the ''Contract with America Tax Relief Act of 1995'', which would make in order a consolidated bill (since introduced as H.R. 1327, the ''Tax Fairness and Deficit Reduction Act of 1995'') incorporating other offsetting spending reduction provisions as the base text for the purposes of amendment.

H.R. 1327 includes the text of H.R. 1216, a bill to provide for the privatization of the United States Enrichment Corporation (USEC), reported by the Committee on Commerce on March 23, 1995.

Since the date of my original letter to you, it has come to my attention that Section 3006 of H.R. 1216 includes a provision regarding the tax treatment of the USEC privatization. This provision lies within the jurisdiction of the Committee on Ways and Means, and was reported contrary to Rule XXI, clause 5(b), which provides that no bill carrying a tax measure may be reported by any committee not having jurisdiction to report tax measures.

On this basis, I respectfully request that the rule for floor consideration of H.R. 1215, as amended, strike this provision.

Your cooperation and that of the Committee on Rules in this matter is greatly appreciated.

Sincerely,

BILL ARCHER,
*Chairman.*

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
*Washington, DC, April 4, 1995.*

Hon. THOMAS J. BLILEY, Jr.,
*Chairman, House Committee on Commerce, 2125 Rayburn HOB, Washington, DC.*

DEAR CHAIRMAN BLILEY: As you know, H.R. 1216 (the ''USEC Privatization Act'') as reported by the Commerce Committee contains a tax provision. That provision is intended to allow the United States Enrichment Corporation to transfer its assets without Federal income tax consequences to a state chartered corporation, pursuant to a privatization plan. The provisions of H.R. 1216 were included in H.R. 1327, the ''Tax Fairness and Deficit Reduction Act of 1995'', and the text of H.R. 1327 is expected to be adopted as a substitute to the text of H.R. 1215.

As you know, Federal tax provisions are solely within the jurisdiction of the Committee on Ways and Means. Accordingly, I appreciate your agreeing to delete the provision from the legislation intended to replace the text of H.R. 1215.

I want to affirm my commitment to work with you in conference to provide appropriate tax provisions to facilitate privatization of the USEC. In particular, I understand that the transfer from a federal to a state charter should be a non-taxable event. I will work in conference to provide statutory language making clear that the transfer from a federal to state charter is a non-taxable event. The fact that such a provision will not be included in the House bill will not prejudice consideration of such a provision in the conference. With respect to such tax provisions, I intend to consult with you to ensure the most effective privatization of the USEC.

Sincerely,

BILL ARCHER,
*Chairman.*

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON COMMERCE,
*Washington, DC, April 4, 1995.*

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means, Washington, DC.*

DEAR CHAIRMAN ARCHER: Thank you for your letters of April 3, 1995, and April 4, 1995, regarding certain provisions in H.R. 1216, the USEC Privatization Act, which would affect the tax treatment of the privatization of the United States Enrichment Corporation. As you know, the text of H.R. 1216 has been incorporated into H.R. 1327, the Tax Fairness and Deficit Reduction Act of 1995, which is to be considered on the floor later this week.

The Commerce Committee acknowledges the jurisdiction of the Ways and Means Committee on Federal tax provisions and agrees to delete the tax provisions in H.R. 1327 which pertain to the privatization of the USEC. This agreement is predicated on an understanding, as set forth in your letter of April 4, 1995, that the Ways and Means Committee will work with this Committee in conference to include appropriate tax provisions that facilitate privatization of the USEC.

As you know, my interest has been in providing a framework for the sound and effective privatization of the USEC. I appreciate your assurance that you agree that the transfer of the USEC from a Federal to a state charter should be a non-taxable event. I also appreciate your commitment to work with me to provide statutory language making clear that the transfer from a Federal to a state charter is a non-taxable event. The assurances provided in your April 4th letter give me sufficient confidence that you agree with the importance of such protections, and that this matter will be addressed properly in conference. Accordingly, I have communicated to the Rules Committee my request that the language found in section 1503(a)(5) of H.R. 1216 be deleted from the text of H.R. 1327.

Thank you for your cooperation in this matter.

Sincerely,

THOMAS J. BLILEY, JR.,
*Chairman.*

Mr. DINGELL. Mr. Chairman, I yield 3 minutes to the distinguished gentlewoman from Illinois [Mrs. COLLINS], the ranking minority member of the Committee on Government Reform and Oversight.

(Mrs. COLLINS of Illinois asked and was given permission to revise and extend her remarks.)

Mrs. COLLINS of Illinois. Mr. Chairman, today we are voting on the final item in the Republican's Contract on America, the so-called crown jewel of the 100 day take-money-from-schoolkids-and-give-it-to-the-rich extravaganza.

Well, in case we weren't able to figure out the point of this whole Contract With America, H.R. 1215, the Republican tax bill, makes it all crystal clear.

H.R. 1215 is a reckless, deficit-exploding, who-cares-about-the-poor bill full of goodies and bonuses by the wealthy and the rich. What a fitting finale, Mr. Chairman!

My Republican colleagues have abandoned this commitment to deficit reduction in their Contract With America in favor of this blatant payoff to the rich.

Let's take a look at who exactly this bill benefits. For starters, corporations are big winners under H.R. 1215. Back in the 1980's, Congress realized that many of our richest, biggest companies weren't paying a single dime in taxes by taking advantage of all the tax write-offs available. As a result, the alternative minimum tax was established to ensure that corporations make at least a nominal contribution to the National Treasury.

Well, our friends on the other side of the aisle clearly think that its OK if some of the Fortune 500 corporations leave everyone else to pick up the bill on April 15th because H.R. 1215 completely repeals the alternative minimum tax. This is expected to reduce revenues to the U.S. Treasury by $35.6 billion over the next 10 years that will have to be made up through deficit spending or more cuts in programs that help to ease the financial burdens of the guy who needs a helping hand.

America's wealthiest individuals and families also come out way ahead under H.R. 1215 with the capital gains tax cut and other goodies that ensure that the well-off become even better off. A U.S. Treasury Department analysis of the impact of this legislation reveals that more than half of the benefits in H.R. 1215 go to the top 10 percent of American families with incomes of more than $100,000 a year and nearly 30 percent of the bill's benefits go to the top 2 percent of families making over $200,000 year. These families will receive an average tax break of $938 a month! That's a gift from the Republicans of $12,256 a year.

And who is going to be paying for this? The American Federal employees, these people who have worked for Federal Government are going to have to make vast contributions from their own Federal retirement system in order to pay for these tax cuts.

I want to talk about these Federal employees who only earn $30,000 or so a year. On average they are going to be forced to pay $750 more toward their pension every year under this doggone bill, so the top 2 percent we just talked about who have incomes over $200,000 a year are going to be enriched further.

Somebody mentioned a few minutes ago about welfare, somebody else called it corporate welfare. What else can it be called? It is also welfare to those Americans who are quite wealthy, over $200,000 a year. They are going to get a $500 tax credit for each one of their kids, and yet the poor guy making $30,000 a year is going to have to work forever just to have $4,500 over 5 years in order get about $900 in benefits on his retirement check.

Something is wrong here, Mr. Chairman. It seems to me we are way out of line on this. It seems to me if we wanted to give a real tax break, give it to the guy who really needs it, not the guy who earns $200,000 a year. It just does not make sense to do so.

Now, since we know who wins under this bill, let's look at who loses. Unless you're in the highest income bracket in the United States, you're just plain out of luck. The Republicans promised to lower your taxes, right? Well, if you are a working family with an income under $75,000 a year, you can expect to receive a tax break of a whopping $36 a month. This will barely buy a pair of sneakers. And families earning between $40,000 and $50,000 a year can expect to pocket an average capital gains tax break of $32 a year. This might cover one trip to McDonalds if your family isn't too big or too hungry.

Not only do average working families gain nothing from H.R. 1215 but they will have to pay for the big shots' tax cuts through the exploding deficit and spending cuts.

Its important to note, too, that the vast majority of tax benefits in H.R. 1215 are specifically designed not to apply to low-income Americans. For example, the $500 per child tax refund available to families with incomes up to $250,000 is only available to families with tax liability. In other words, the lowest-income families would receive no benefit under this credit. Low-income families would also receive no benefit whatsoever from this bill's marriage penalty tax credit or the $5,000 tax credit for adoption.

To make matters worse, these same low-income families who aren't eligible for any of H.R. 1215's tax goodies are forced to fund this corporate giveaway. H.R. 1215 is paid for through cuts in programs such as the Low Income Housing Energy Assistance [LIHEAP] Program that helps 2 million senior citizens pay for their heating bills, Healthy Start, which provides prenatal care to expectant moms, and other programs that remove lead-based paint from public housing, provide summer jobs to our teenagers, and so forth.

Senior citizens and Federal employees are also singled out to pay for this tax break bonanza. Medicare will be cut dramatically and Federal employees will be taxed through significantly higher contributions to their retirement plans in order to receive lower benefits.

This is the Republican crown jewel that passes out caviar to the rich and leaves the rest of America starving. I oppose this shameful bill and urge my colleagues to do the same.

Mr. BLILEY. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mr. HASTERT], the chief deputy whip, and a member of the Committee on Commerce.

Mr. HASTERT. Mr. Chairman, My good friend, the gentlewoman from Illinois [Mrs. COLLINS] just spoke, but you know I think I remember just 2 years ago that my good friend from Illinois just raised the tax on her constituents that would cost $711 milion and now opposes a $500 tax credit to go right to the parents of the 89,000 children that are in her district. The fact is she opposes the bill that would allow middle-class families in her district to keep a total of $44 million of their own hard-earned money.

Mr. Chairman, I also rise in support of the Tax Fairness and Deficit Reduction Act we are considering today. I am especially pleased to support the Senior Citizens Equity Act portion of this legislation.

We heard a great deal in recent weeks about Republicans being mean spirited. I contend that what some Democrats have done to our senior citizens has been mean spirited.

Ever since I first came to Congress I have been fighting against the unfair Social Security earnings limit, and this earnings limit taxes seniors at a rate twice as high as millionaires have to pay if they choose to work.

This tax hurts productivity, it robs the country of needed experience, and penalizes people who we should be trying to help. Despite the obvious unfairness of this earnings limit, the Democrat leadership refused to bring legislation to correct this situation to the floor.

I call that mean spirited.

Today, in this bill, the Republican majority finally brings a long needed solution to this problem to the floor. I call that fairness.

In 1993 President Clinton's budget, passed over the unanimous objections of House Republicans, included a hefty tax increase on Social Security recipients. I call that mean spirited.

Today in this bill, we repeal that tax increase. I call that fairness.

Mr. Chairman, today in the Senior Citizens Equity Act, we reverse these mean spirited taxes on our senior citizens, we repeal the President's Social Security benefits tax, and I ask for my colleagues' yes vote on passage.

Mr. DINGELL. Mr. Chairman, for purposes of correcting the RECORD, I yield 30 seconds to the distinguished gentlewoman from Oregon [Ms. FURSE].

Ms. FURSE. Mr. Chairman, I thank the gentleman for yielding me the time.

Mr. Chairman, there seems to be a concerted attack on those of us who voted for the President's 1993 budget. I just want to point out that many poor and middle-income families received substantial tax returns from the earned income tax credit. In fact, 16,000 families in the First District of Oregon received an earned income tax credit as a result of the 1993 budget.

Mr. DINGELL. Mr. Chairman, in view of an imbalance in time, I think we should yield some time over here and, therefore, I yield 4 minutes to the distinguished gentleman from Maryland [Mr. HOYER].

Mr. HOYER. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I came to this House at a time of another Republican described revolution. It was the Reagan revolution, instituting the Kemp-Roth supply side economic proposal for feel good, no sweat, no pain Federal fiscal policy. When it passed in August of 1981, President Reagan proclaimed the budget would be in balance by October 1, 1983.

When that revolution began, the debt confronting our Nation was $932 billion. At its conclusion in January of 1993, it was $4.1 trillion. During that 12 years, not a red cent was spent on America that either President Reagan or President Bush did not sign off on.

Today we are in the throes of another Republican led and named revolution, and according to Speaker GINGRICH we today consider the crown jewel of the 1990s version of trickle-down economics. It is a synthetic, virtually worthless stone. I will oppose it. Neither our country nor our children can afford it.

It is, quite frankly, a time for us as a people, as a Congress, and as a great Nation to demonstrate the discipline and the resolve necessary to put our financial house in order and show that America and Americans continue to have the courage to face tough problems without shrinking into policy more expected from nations falling into fiscal chaos and national weakness. That has been the history of the all of great nations: a focus on the immediate, the temporary, the politically popular quick fix.

Mr. Chairman, there can be a time for a reduction of taxes, and when we succeed in eliminating our annual operating deficits, then will be the time to cut taxes.

Then we will be able to say to our children we are paying for what we buy, and we are not passing those expenses on to you. That is why I voted for the balanced budget amendment.

We will convey to you a great Nation, we can tell our children, which has the wisdom to discipline itself and not squander your inheritance, a Nation proud of its history and committed to its future, a Nation prepared to invest prudently in its people, a nation unwilling to slide self-satisfied and self-absorbed into second-rate status.

Over 100 or our Republican colleagues, over 100 of our Republican colleagues urged their party to support such a path. They were rejected.

I urge this House to stand for what it knows to be the correct course for today, for tomorrow and for generations to come; for our senior citizens, for our students, for our families, for our children, and most of all, for our country. Vote, ladies and gentlemen of this House, for fiscal health and responsibility. Our children and grandchildren should expect no less of us. Vote ''no.''

Mr. BLILEY. Mr. Chairman, how much time is remaining?

The CHAIRMAN pro tempore (Mr. FOLEY). The gentleman from Virginia [Mr. BLILEY] has 13 minutes remaining, and the gentleman from Michigan [Mr. DINGELL] has 14 minutes remaining.

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Mr. BLILEY. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. BILBRAY], a new member of our committee, the Committee on Commerce.

Mr. BILBRAY. Mr. Chairman, 2 years ago as a member of the public I watched these proceedings, and I watched my colleague from Maryland support the largest tax increase in the United States.

Mr. HOYER. Will the gentleman yield? Would the gentleman like to know what he is doing to my constituents in this tax bill?

Mr. BLILEY. Regular order, Mr. Chairman.

Mr. BILBRAY. Mr. Chairman, that vote cost his constituents $539 million.

Mr. HOYER. Does the gentleman know how much this bill is costing my constituents?

Mr. BILBRAY. Regular order, Mr. Chairman.

The CHAIRMAN pro tempore (Mr. FOLEY). The gentleman will suspend. The gentleman from California [Mr. BILBRAY] has command of the time.

Mr. BILBRAY. Mr. Chairman, I am not trying to be confrontational. I am trying to just communicate what a citizen sees in these proceedings.

You know, we are talking about 137,000 children in his district that parents that could have access to this. Now, that is fine, and we can make those judgments.

But do you realize that 2 years ago when this vote was, the tax increase was put in, my dear colleagues on the other side of the aisle, there was a commitment made that once the tax increase went in, you will see tough, tough budget cuts; you will see us reduce it; trust us. What happened this year with the President's budget?

Will you agree that the credibility of the political process was destroyed when the President of the United States proposed a budget that had none of the cuts that were proposed 2 years ago when the tax increase goes in? And as a citizen, I ran for Congress because the credibility was being destroyed by making promises on one side to raise taxes and never coming across the other way.

Mr. Chairman, I represent a diverse district along the Pacific coast, but I grew up and I live in a working-class neighborhood, and when I hear all the battle about the rich getting some benefit, I would wish my colleagues on the other side would be half as worried about the middle class getting their fair share of tax cuts rather than always worrying about something might happen that may benefit somebody who has been a little more prosperous.

My neighbors do not want to be sacrificed on the altar of work there, and I close with this, please, go outside and ask the security guards if they are rich that work in this Chamber. They make enough money to make that tax write-off.

Mr. Chairman, it is time to stop the class warfare.

Mr. HOYER. Mr. Chairman, would my friend, the gentleman from Virginia, yield for just 1 second? I would like to ask him a question about talking to the security guards outside.

The CHAIRMAN pro tempore. The gentleman will suspend. The gentleman from Michigan has not yielded time.

Mr. HOYER. The gentleman did not yield me time?

Mr. DINGELL. No.

Mr. HOYER. I apologize, Mr. Chairman.

Mr. DINGELL. Mr. Chairman, I yield 3 minutes to the gentlewoman from North Carolina [Mrs. CLAYTON].

Mrs. CLAYTON. Mr. Chairman, I have always been told that it is more important to watch what one does rather than what one says. The Republicans say that this tax is not for the wealthy, but what do they do? More than 100 of their own Members signed a letter urging their leaders to reduce coverage of the tax cut from those earning from $200,000 to that of $95,000.

They say that this tax cut is not about making sure that the wealthy at the expense of low and middle income, but what do they do? Mr. Chairman, yesterday the gentleman from Ohio [Mr. KASICH] passed around this letter. Clearly in that letter it showed the spending cuts coming from the low-income and middle-income people will be for what, to pay for the tax cut.

They say this bill is the Contract With America, relief of 1995, but what will they do? Who do they give relief to? They give relief to the privileged few and little relief to the rest of America.

They say this bill is senior-friendly. But what do they do? Nearly three-fourths of the senior tax relief will go to the seniors who make $75,000 or more. To which seniors are they willing to be friendly?

They say this bill is a fair bill. In fact, they call this bill the tax fairness of 1995. But what do they do? They unfairly and unequally distribute the benefits and the burdens.

Guess what, they give the benefits to those who have a lot of money and give the burdens to those who have very little or minimal income.

Three-fourths of the capital gains tax relief in the bill goes to those who earn more than $100,000 a year. If you make more than $200,000 a year, you will get $11,000 tax relief. But if you make $30,000 a year, you may get a couple of hundred dollars.

They say this tax bill will stimulate the economy. But what do they do? They ignore the last tax bill, tax cut, that they gave in the 1980's, which pushed this Nation in a deficit and a sluggish economy, in fact, a deep recession that we have yet to recover.

They say this is a Contract With America. But America certainly is more than about billionaires and big business. America is college students, minimum-wage workers, infants, senior citizens, schoolchildren, pregnant women, and middle-income workers.

I urge Americans to listen carefully to what they say they are going to do. But I urge them to listen more closely to what they do. I urge my colleagues to vote against this unfair tax bill.

Mr. BLILEY. Mr. Chairman, I yield 2 minutes to the gentleman from Connecticut [Mr. FRANKS], a member of the committee.

Mr. FRANKS of Connecticut. Mr. Chairman, failed tax-and-spend policies as demonstrated in a proficient manner by a Congress controlled by the Democrats for 40 years, versus less taxation and less spending by Republicans in 1995: America, you voiced your opinion loudly this past November.

Making more money available to private citizens and private industry will inevitably result in more money going into our economy to produce economic growth and, yes, ladies and gentlemen, more tax revenues.

The method to improve our cities is not through new and fancy social spending programs. The first way is to help strengthen our families. Encouraging marriage, adoptions, savings by families, long-term health care, and senior citizens' equity are steps in the right direction.

Second, this and future tax incentives properly directed will allow us to improve the economic condition of our cities. We as Republicans, and I believe many moderate-to-conservative Democrats, would agree that we must help employers to employ more employees, and we must encourage more entrepreneurs of all hues.

Let us remember that with strong families, less taxation, less spending, and less government, we will be able to turn our society around for the better.

Mr. DINGELL. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from North Carolina [Mr. HEFNER].

(Mr. HEFNER asked and was given permission to revise and extend his remarks.)

Mr. HEFNER. I find it interesting; it disturbs me when Member after Member from this side of the aisle comes and talks about the failures we have had over the past 40 years.

This is the greatest country on the face of the Earth. We do not have to worry about keeping people in here. We do not have to worry. We have to worry about people wanting to come here.

I have seen programs over the last 40 years. We have had some failures. We have had some abuses. But we have had some great successes. Thanks to programs, people are able to go to school that would not have been able to go to school before, that can get a loan to buy a house that would never have been able to have a home; they got a little loan to send their kids to our colleges in North Carolina and all over this country, to take part in this great experiment called democracy.

I take offense when people say how bad this country is. If you want to leave, exercise your right to renounce your citizenship and do not pay taxes and leave this country. But this is the greatest country on the face of the Earth.

The reason I oppose this is the reason that 100 Members of this side of the aisle wrote the letter and wanted us to lower the caps, because it just plain ain't fair. This package is not fair, and that couple that is working in that textile mill back home in North Carolina, they are not going to get anything out of this tax package. They are not going to receive anything for their children.

But I can tell you who is: everybody that has come to either one of these podiums today, everybody that has spoken in favor of this tax package is going to get a benefit from it. Everybody here that has got a kid going to school that is a Member of Congress is going to benefit from it whether they have got two or three kids or four kids, because we are in that bracket.

But it just plain ain't fair to Middle America, and people that work every day to try to support their families and educate their kids. It just plain ain't fair.

Mr. DINGELL. Mr. Chairman, I yield 1½ minutes to the gentleman from Wisconsin [Mr. KLUG].

Mr. KLUG. Mr. Chairman, Paul Tsongas said it years ago, let me repeat it tonight. I am not Santa Claus. I wish I was.

I wish I could vote for this tax package and tuck a $1,000 refund check in all of the stockings hung with care from the mantle.

For that matter, I wish I were the Easter Bunny tonight and could hide baskets of goodies in the backyard bushes, but I cannot, folks, because it is my job tonight to play the role of grinch and remind everybody in this Chamber that we are flat-out broke.

Now, there are a lot of my colleagues on the other side of the aisle tonight who suddenly have found religion in deficit reduction, and we will see just where they are come May, because we know where they have been in the past.

I will be delighted to vote for the budget package and help the chairman, the gentleman from Ohio [Mr. KASICH], and do everything I can in my will to pass this tough deficit-reduction plan.

I understand, as John Kennedy did, that capital gains breaks help grow the economy and help small businessmen and farmers back in Wisconsin, and IRA's will help average families save more for retirement.

And if that is all this bill was about tonight, I would be glad to lead the charge up San Juan Hill. Instead, what I hear tonight is not necessarily an assault on the deficit. I am afraid it is a retreat from deficit reduction.

The cuts are not specified. The tax cuts are too generous. The timing in a robust economy, I believe, is all wrong. Maybe it will all make sense and add up later this summer when this bill gets through conference. As for me, I am putting Rudolph back in the stable tonight and telling the elves to put up their feet and relax, because, in my mind, it is not Christmastime tonight.

Mr. BLILEY. Mr. Chairman, I yield 1 minute to the gentleman from New Jersey [Mr. ANDREWS].

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Chairman, I rise in favor of this tax reduction bill here tonight. I do so thinking about the American families and the families in my district who sit around the kitchen table on a Friday night, and they take out their checkbook, and after they write their check for their mortgage and their property taxes and their credit card bill and their health insurance and their utility bill and all the other bills they have to pay to meet their family budget, for many of them there is nothing left, and for some of them there is an insufficient amount to pay even those bills.

In my opinion the question of this bill here tonight is this: Does this legislation help or not help that family? I think this legislation helps that family.

It is my conclusion that $500 per child in their hand is better spent by them. It is my conviction that that $500 belongs to them. They earned it. It is a necessity for their way of life, and by voting for this bill tonight, I think we can let them keep more of what they earned.

I rise in support of the legislation.

Mr. DINGELL. Mr. Chairman, I yield 1½ minutes to the gentlewoman from Texas [Ms. JACKSON-LEE].

Ms. JACKSON-LEE. Mr. Chairman, I rise to state that I am going to vote for a tax cut today. I am going to vote for the Gephardt plan. Today we had a full-blown circus played out on the steps of the United States Capitol, and to the American people, I really mean it, elephants and clowns. Pure fantasy which is what the Republican tax bill is.

But I am going to another fantasy, and I am going to say bab, humbug, because Scrooge is in the Chamber today.

The reason why I say that is that Scrooge is taking from those who need it, and giving to those who do not need it.

Let me read for a moment, Dave Stockman, the Reagan OMB Director, who said, ''The combination of incentive-minded tax-rate reductions and firm budget controls is expected to lead to a balanced budget by 1984.'' Another fantasy.

I can tell you that we did not have a balanced budget in 1984, and tax reductions did nothing for the balanced budget in 1984.

Let us stop the class warfare and tell the truth. Why are the American people angry? They are angry because they have seen middle-class incomes remain stagnant while those in the highest echelons of our community have seen their earnings increase more than 29.5 percent over the years, but the folk who need the tax cuts, which this present tax bill does not address, the lowest fifth, the second and the third wage earners, they have not been earning enough dollars or they have not been having the infusion of cash to support their basic needs.

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Talk about capital gains, and I know I have heard some senior citizens call in and say, ''I have property I'd like to sell.'' Well, if we were not rushing to judgment on this Republican tax bill, we might have been able to have means testing on capital gains tax. We might have been able to sit down at the table and reasonably address the question, who deserves a tax cut. I believe it is those earning under $75,000.

I will vote for a tax cut, but I certainly will not join the fantasy of the circus that was held here at the United States Capitol today and the circus that will be held tonight when we vote for a tax cut that will not help the American people!

Mr. BLILEY. Mr. Chairman, I yield 2 minutes to the gentleman from Kentucky [Mr. WHITFIELD], a member of the committee.

Mr. WHITFIELD. Mr. Chairman, as my colleagues know, this debate, as much as any debate on this House floor, epitomizes the difference in the philosophy of the Democratic Party and the Republican Party, and, when I say Democratic Party, I do not include all Democrats because we know that many Democrats are very much concerned about the deficit. But for 30 years, since the Great Society, the Democratic Party has had no concern about Federal deficits in America, and during that time many programs, good programs, have provided benefits for people in our great country.

But as may colleagues know, as times approaches to old problems, and today we have a $4.7 trillion debt in America, $200-and-some billion dollars a year just to pay the interest, and I say to my colleagues, ''When you take the entitlements, and you take the interest on the debt, it's by the year 1997 those two items alone will exceed the total tax revenues of this country.''

So we have to take care of the problem in two ways. First of all, we have to adopt a tax policy, and that is what this tax bill does. It provides tax breaks for business men and women, small business men and women, to create new jobs and economic expansion in this country. Two, it provides tax credits for men and women with children so that they can get a tax break, and then further, Mr. Chairman, it provides a backbone and a basis for the first step in solving this deficit, and that is a tax policy that will create new jobs just like the tax reduction of Ronald Reagan and, yes, John Kennedy.

Now the second thing that we have to do, and we plan to do it, is we are going to control this deficit because, unlike the Democratic Party for the last 30 years, we are going to do something about the deficit, and that is the second part of our plan.

Mr. DINGELL. Mr. Chairman, I yield 1½ minutes to the gentleman from Vermont [Mr. SANDERS].

Mr. SANDERS. Mr. Chairman, this is a bad bill and a very unfair bill. This is, in fact, a bill based precisely on the principles of class warfare. That is exactly what it is.

I say to my colleagues, ''When you take from the poor, and you give to the rich, that's class warfare. When you take from hungry children and give to profitable multinational corporations, that's class warfare.''

Mr. Chairman, half of the individual tax breaks in this bill go to families earning $100,000 a year, and this bill cuts back on nutrition programs for hungry children. That is class warfare. A quarter of the tax breaks go to people earning $200,000 a year, and the bill cuts back on loans to college students whose families today cannot afford the high cost of college. That is class warfare. The highest earning 1 percent of the population will get more tax breaks than the bottom 60 percent, and then they cut back on a wide variety of programs that lower income senior citizens need.

I say to my colleagues, ''When you tell low income seniors in Vermont that they have to live without fuel assistance, that's class warfare.''

Mr. BLILEY. Mr. Chairman, I yield 2 minutes to the gentleman from North Carolina [Mr. BURR], a member of the committee.

Mr. BURR. Mr. Chairman, those here tonight that would suggest that it is going to be tough to balance the budget are in fact right. We knew it would be tough when we came to Congress, that there would be tough decisions, but we knew we were up to the task of making those decisions.

Tonight we have a special opportunity. Tonight we have the opportunity to make it easier on working Americans to balance their budget. I hope we do not take this opportunity and blow it like we have in the past.

Mr. Chairman, during my campaign there were two areas that I concentrated on very heavily, commitments to stop the punishment on seniors in this country and a commitment to leave money in the pockets of working Americans. Tonight we have an opportunity for seniors to roll back that unfair tax that was placed on them in 1993 and to raise the earnings limits of seniors to allow them to stay in the workplace and to be productive in their later years versus feeling like they are drain on us, and for the American families we have an opportunity to leave

the money in their pockets rather than to bring it to Washington and decide what to do here with it, as well as for those families that take care of parents and grandparents, to make sure there is a $500 credit for the added burden and costs that they incur.

Mr. Chairman, the debate today is between those who feel they know best and those that believe that parents and seniors know best what to do with their money. Mr. Chairman, I, for one, am willing to bet on parents and seniors knowing best, and I urge my colleagues to support this important piece of legislation tonight.

Mr. DINGELL. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from California [Mr. BEILENSON].

(Mr. BEILENSON asked and was given permission to revise and extend his remarks.)

Mr. BEILENSON. Mr. Chairman, I rise in strong opposition to the so-called Tax Fairness and Deficit-Reduction Act, a bill which would produce the opposite result of its title's claims, and which is one of the most economically and socially damaging pieces of legislation that has come before this body in many years.

This bill would reduce revenues by nearly $200 billion over 5 years, and by $630 billion over 10 years. These tax cuts would constitute the largest increase in deficits since the 1981 tax cut, which was the root cause of most of the deficit problem we have been struggling with for the last decade and a half. They would obliterate much of the hard work we have done in recent years to close the huge gap between spending and revenues, and would make it much more difficult than it is already going to be to reduce deficits further.

That difficulty cannot be overstated. With the loss of revenue from this bill, we would need to cut spending by about $1 trillion over the next 7 years to reach the goal of a balanced budget by the year 2002. It is probably not possible to make such cuts; it is certainly not possible to do so without cutting payments to the elderly, disabled and the poor; and without cutting funds for crime control, immigration control, environmental protection, highways and airports, education and job training, and many other critically important activities Americans expect from their government—many of which have already been cut to the bone in recent years.

To make matters worse, many of the tax provisions are backloaded—they will cost more in the future than they will during the first few years. The capital gains inflation indexing, the American Dream Savings Accounts, the neutral cost recovery provisions, and the phasing-in of many of the tax provisions will result in exploding revenue losses in the years beyond 2000. Compensating for that lost revenue will be increasingly difficult as time goes on.

It makes no sense whatsoever to make it more difficult to reduce Federal deficits. As economists have been saying for years, reducing these deficits is the most important step the Government can take to increase jobs and productivity over the long term. Cutting Federal borrowing would free up more of our Nation's limited savings for private capital. We need sustained deficit reduction far more than capital gains tax breaks or anything else in this bill to generate growth and ensure our Nation's future prosperity.

Equally troubling to its impact on the deficit is the fact this bill would exacerbate the growing disparity between the rich and poor. It confers most of its benefits on people who are already well off—those who least need a tax cut—while providing little gain to those of modest means who need tax relief the most. When this bill is combined with the spending cuts for programs that serve the poor that the Republican leadership has been promoting, the effect is an unjust and unconscionable shift of resources from the poor and middle-class to the rich.

Under this bill, the average tax benefits for families earning over $200,000 annually would be $11,270; for families earning $50,000 to $70,000, about $1000; for those earning $30,000 to $50,000, $570; and for those earning $0 to $30,000, $124.

Over half of the total tax benefits, and three-quarters of the capital gains tax benefits, would go to the top 12% of families that earn $100,000 a year or more. Some highly profitable corporations would pay little or nothing in income taxes. It is little wonder that Americans have not been clamoring for this bill, and that they have indicated by large margins in recent polls that they would much prefer that Congress reduce deficits than cut taxes.

One of the most unfair provisions in the bill is the highly touted tax credit of $500 per child, which was intended to make it easier for parents to pay for food, clothing, and other costs of raising children. Because the credit is nonrefundable, the families who are most in need of help in meeting these expenses—about 10 million working families making less than $20,000 a year—will receive less than full $500 per child, or no credit at all. Meanwhile, families with incomes of $200,000 annually, who, obviously, are not struggling to pay for necessities for their children, would receive the full $500 credit.

Another particularly egregious provision is the increase in the pension contribution required of federal employees, which is the equivalent of a 10 percent tax increase for our nation's two million federal employees, the great majority of whom have relatively modest salaries. This increased contribution is not necessary to keep the civil service retirement system insolvent; it is included only because it provides nearly $11 billion over five years to help pay for the bill's tax cuts.

I would note that this provision was rejected by the Committee on Government Reform and Oversight, which has jurisdiction over this matter, and efforts to allow a separate vote on it on the floor where rejected by the Rules Committee.

Mr. Chairman, the bill before us would exacerbate our nation's serious budget deficit problem and contribute to the disparity of wealth among income groups. I urge our colleagues to reject this legislation.

Mr. DINGELL. Mr. Chairman, I yield 1½ minutes to the distinguished gentlewoman from California [Ms. HARMAN].

Ms. HARMAN. Mr. Chairman, I rise in opposition to both tax cut proposals that will be considered today.

It is time to stop trying to kid our constituents. We cannot spend $630 billion over 10 years on tax cuts and make any dent in our $5 trillion national debt.

Deficit reduction is a higher priority than tax cuts. Put another way, it is a better way to lower interest rates, create jobs and economic growth than to enact the ill-timed tax cuts in these bills.

This House just voted, with my strong support, to amend the Constitution to require a balanced Federal budget. And yet one of our first steps is to retreat.

It is not credible to link tax reductions to deficit reductions as the sponsors of both proposals would do. This have-your-cake-and-eat-it-too concept would not work because, once again, it postpones the tough decisions about cuts, and, further, it creates uncertainty about whether individuals and businesses can plan on receiving tax breaks.

In my view, a number of the proposed tax cuts have merit—but not now. I have two kids in college, and know how higher education expenses burden families. I applaud the Democratic leader for trying to offer relief. But not now. I also support expanded eligibility for fully deductible IRA's, a fair capital gains tax reduction, increased business expensing, and a credit for long-term elderly care. But not now.

Let us stop the gimmicks and start the straight talk. Deficit reduction now. Fair tax reduction when we can afford it. That is a tough choice, and in my view, the right choice.

Mr. BLILEY. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Chairman, I want to just tell the gentlewoman from California [Ms. HARMAN], my good friend, that there are 98,000 children in her district, and their parents could certainly use this $500 per child tax deduction. Working people understand that, and let me underscore a point that the gentleman from Ohio [Mr. TRAFICANT] made so effectively when he talked about blue-collar workers and how important this bill is.

Mr. Chairman, blue-collar workers cannot hire each other. They need to have somebody who has enough capital who is not giving that money to the Government, to Uncle Sam, to be able to buy that extra piece of equipment, expand that facility, put those extra 2, or 3, or 5, or 10 people on the payroll, and thereby give them some help, and help their children, help their family and also expand, ultimately, revenues to the United States. This is in many ways a blue-collar tax cut.

Mr. Chairman, the smartest thing Democrats can do is vote for it; the smartest thing President Clinton can do is sign it.

Mr. DINGELL. Mr. Chairman, I yield 2 minutes to the distinguished gentlewoman from California [Ms. WATERS].

Ms. WATERS. Mr. Chairman, this bill is not the answer to the real problems of America. We all know that middle-class America is worried. We all know that poor Americans continue to struggle. It is no mystery why this is so. Since the mid-1970's wages have

stagnated. Corporate America has exported our jobs overseas for cheap labor. As trade unions have been beaten back, hard-earned benefits like health coverage, pensions, and family leave have eroded.

Mr. Chairman, in the 1980's, taxes increased on working class Americans. So the squeeze is on and politicians are feeling the heat.

We could go right at the problem, but the Republicans have resorted to cheap politics. They have gone back to old-fashioned, trickle-down economic theory: reward the rich and pray.

Mr. Chairman, the capital gains tax cut contained in this bill would yield over 75 percent of its benefits to those earning over $100,000 a year. Low-and middle-income families may need tax relief, but the Republican plan goes to families earning up to $200,000.

To make matters worse, last week the Republicans deleted a Senate proposal to get tough on billionaires who renounce their American citizenship to avoid paying capital gains taxes. The Republican leadership placed in a provision protecting a $63 million business deal for the Speaker's friend, Rupert Murdoch. This is not a strategy for economic opportunity. It is indeed class warfare of the rich against poor and working-class and middle-class Americans.

This Congress needs to reject Wall Street's solutions to Main Street problems. Cheesy tax cut promises only make Americans cynical about Government and politicians. Until we begin to address basic American concerns, this institution will continue to suffer in the public's eye.

I say to my colleagues, ''Don't play with the fears of anxious Americans. Let's get serious about our economic problems. Let's reject this Republican charade. Let's vote this turkey down.''

Mr. BLILEY. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania [Mr. GEKAS].

Mr. GEKAS. Mr. Chairman, I want to reinforce in my brief time the notion and the truth that this is truly a middle-class tax cut that we are undertaking here, not only the $500 portion up for families earning up to $200,000, because nobody knows where the middle class begins, nor it ends, but we know that most of our people fall in that bracket between zero and $200,000. So that is a middle-class tax cut, but wonder against wonder, the capital gains reform that is built into this bill is also a middle-class tax cut.

Why do I say that? In the last full year of capital gains reporting in 1985, 75 percent of all the people who earned $50,000 or less had an item of capital gains in their tax returns, and if that is not enough, we also learned that in that same capital gains year people earning $100,000 or less, hundreds of them had a capital gains item in their tax return. Capital gains is good for the middle class.

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Mr. DINGELL. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Michigan is recognized for 1½ minutes.

Mr. DINGELL. Mr. Chairman, the memories of my Republican colleagues are very convenient. They have forgotten the last time we had a Republican tax cut in this body. That multiplied the national debt by better than 4.5 times, from about $700 billion to $4.5 trillion. They have forgotten most of that went to the rich, not to the poor, and not to the middle class. They have also forgotten that six million jobs were created by the Clinton budget; that that budget cut the national deficit by $700 billion. They have also ignored the fact it gave a tax cut in the President's budget to those who had need. Somewhere in between 16 million and 20 million Americans were removed from the tax rolls and were given tax reductions in each and every Congressional District, including their own, by that particular tax package. There memories are most convenient on these matters.

The hard fact is that Voodoo Economics, Trickle-Down Economics II, which this tax package happens to be, is nothing more or less than a raid on the poor, a sop to the rich, and a benefit to those who have no need of tax expense, sweated out of the hides of those who have the least. It is a cut in school lunch programs, education, and every other program that has meaning, not only to this generation, to the young people of this country, but the young people of the future. I urge the rejection of this rotten Republican tax package.

Mr. Chairman, the tax package before us is fiscally irresponsible and distributionally inequitable in the extreme. It commits this Nation to a budget structure that runs counter to deficit reduction. It also leaves behind those most in need of tax relief—working middle class families. Better than half of the cuts go to people earning more than $100,000 a year.

The last time the American people were promised both a balanced budget and a tax cut was in 1981. That plan, which was put forward by the patron saint of my colleagues on the other side of the aisle, President Ronald Reagan, led to an explosion in deficit spending. More than a decade later, the national debt has increased three-fold to better than $4 trillion. During that same period, middle class families have seen their wages stagnate, while wealthy Americans enjoyed substantial gains.

My colleagues across the aisle have clearly not learned the No. 1 rule of holes: When you find yourself in one, stop digging. If they had learned this lesson, we would not be debating this unwise legislation, that returns us to the failed supply side economic policies of the past.

The costs of this measure are truly staggering—$180 billion over the next 5 years. At a time when one-seventh of the Federal budget is needed to pay interest on the debt, we can ill-afford this extravagance. However, the long-term burdens are far worse. Costs skyrocket to more than $450 billion over the next 5 years, and keep rising after that.

The budgetary impact of these cuts are kept artificially low in the early years through accounting gimmicks. However, the out year impact of the capital gains tax cut, the restoration of huge corporate depreciation loopholes and the repeal of the alternative minimum tax for corporations is enormous. These changes, which will principally benefit the wealthy, are expected to cost: $24 billion between 1995–2000; $221 billion between 2001–2000.

As my colleagues may or may not know, the corporate depreciation tax breaks were eliminated, and the alternative minimum tax was set up in 1986 with strong bipartisan support and the backing of President Reagan. This was done in response to the outcry of the American people who were appalled by the fact that large corporations with enormous profits were gaming depreciation loopholes set up in 1981 to avoid paying taxes and in some cases receive a rebate. According to the Citizens for Tax Justice:

AT&T received $636 million in tax rebates from 1982 to 1985 despite earning $24.9 billion in pretax profits.

DuPont had $3.8 billion in 1982–1985 pretax profits supplemented by $179 million in rebates.

General Dynamics had four out of five no tax years from 1981 to 1985. In addition, its $2 billion in pretax profits from 1982–1985 were augmented by $91 million in tax rebates.

Under this bill, the secretaries and mailroom workers at many of our most profitable corporations will be required to pay more in taxes than their employers.

Many of the specific spending cuts to finance these tax breaks have not been identified. We hear that they will be achieved largely through lowering the discretionary spending caps already in place. However, that still doesn't provide a clear answer to the question—what cuts will be made to finance this package and the better than $1 trillion in savings needed to balance the budget by 2002?

The only suggestions we have seen so far from the Republicans are harsh spending cuts that strike right at the most vulnerable in this country—the elderly and children of this Nation. In a rush to keep a political promise that clearly favors the wealthy, my colleagues have slashed funding for the school lunch, child nutrition, summer youth employment, and education programs. Seniors have also watched as home heating and housing assistance has been eliminated. And today, they are faced with significant cuts to the Medicare program.

As I have mentioned, the middle income taxpayer is left behind by this package. In fact, 34 percent of America's children are not covered by the middle class tax cut, because their family's incomes are too low. Only 1 percent are denied a credit because their family's income is too high.

Middle income families are also being targeted by cuts in student aid programs. My colleagues have proposed cutting $13 billion in college assistance by eliminating or restructuring student loan programs. As a result, the average cost of a college loan will rise by $4,500. In addition, students will now be forced to pay interest from the first day they arrive on campus—not 6 months after graduation as they are currently allowed to do.

I cannot support the fiscally irresponsible tax policy laid out in H.R. 1215. This legislation

will help the privileged few who already have plenty get more at the expense of everyone else. It will also further mortgage our children's future by exploding the Federal budget deficit at a time when we should be focusing on paying it down. I urge my colleagues to defeat the bill.

Mr. BLILEY. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Virginia is recognized for 2 minutes.

Mr. BLILEY. Mr. Chairman, it has been a long debate, it has been a good debate, but I think now is the time to reward Americans and to contrast two philosophies, our philosophy on this side of the aisle that the people who earn the money should keep the money, rather than the other way around, that the government knows best how to spend the money.

Mr. Chairman, we will reduce the deficit. We will get on a slope to a balanced budget in 2002. And for every $1 billion we reduce spending, we pay for a $500 tax credit for two million citizens.

Mr. Chairman, this is a good bill, it is a good debate, this bill ought to pass, and I urge my colleagues to support the bill and reject the substitute.

Mr. RAHALL. Mr. Chairman, I rise in opposition to H.R. 1215, the so-called Tax Fairness and Deficit Reduction Act of 1995. In the first place, it isn't fair, and in the second, it does nothing to reduce the deficit, unless you live in a house of smoke and mirrors.

But before I go into the many reasons why I cannot vote for this bill, let me tell you about the good things that are in it, and for which I would vote if they were offered separately.

This bill contains an increase, over 5 years, in the earnings limitation for senior citizens who are receiving Social Security benefits, but who still work at jobs to supplement their low incomes.

I have been a cosponsor of this earnings limitation increase legislation for years. It hasn't come up in the House for a vote—despite my signing a Discharge Petition last year to force it to a vote. Increasing, almost threefold, this earnings limitation over 5 years to enable working seniors to earn as much as $30,000 a year before their earnings are offset against their social security checks, is a Godsend to seniors. Regrettably, because the majority here in the House will not allow a separate vote on it—I am forced to vote against it because of other unacceptable provisions contained in H.R. 1215.

Another provision, which I have also cosponsored in the past, is the phased-in repeal of the 1993 new taxes on social security benefits for those singles earning more than $34,000 a year and married couples earning more than $44,000 a year. Had this new tax come before me for a separate vote in 1993, I would have voted against it. Now that its repeal is before this House for a vote, I must vote against it because no separate vote is being allowed.

IRA Accounts. I have cosponsored and supported new IRA's which permit early withdrawal without penalty for such things as first time home buyers, college costs, extraordinary medical expenses, and even for periods of unemployment. I would very much like to vote in favor of this new IRA. But I can't. It isn't being brought up as a separate vote.

I stand behind no one when it comes to imposing and enforcing tougher penalties for those engaged in child pornography. During the 103d Congress, I signed the amicus brief before the Supreme Court to force the U.S. Department of Justice to stop weakening existing child pornography laws. We won that battle—and Stephen Knox is behind bars for exploiting children in sexually explicit photographs which he had been peddling to perverts nationwide for huge profits. Yet in this bill, giving House Members a chance to toughen those laws, I will have no separate vote on the issue.

If given a separate vote on the issues, I would also strongly support adoption and foster care enhancements, not to mention tax deduction for home office expenses, which I cosponsor in separate legislation.

In the 103d Congress, I cosponsored a bill, introduced by my friend and colleague Representative FRANK WOLF of Virginia, to give an additional $500 per child deduction to low- and middle-income parents. That provision is in this bill. Why can't I vote for it?

Two reasons: First, the tax credit is given to families with incomes as high as $200,000 a year; and secondly, it isn't being brought up as a separate vote, but is included in the bill as a whole with no amendments allowed.

Who wouldn't support making accelerated death benefits to the terminally ill tax-free? But I can't vote in favor of this, because it too is incorporated into the bill as a whole.

Who wouldn't support an Eldercare tax credit, or tax incentives for long-term care insurance? I would vote for these, if they were offered separately. Too bad they are incorporated into the bill—one vote only—up or down.

Yes, Mr. Chairman, there is much in the bill to recommend it. If the bill were being offered under an open rule, allowing separate votes on initiatives favored by a majority of Members regardless of party, then perhaps I could—many Members could—vote for them. As it is, we cannot.

Now that I have reiterated the provisions in the bill that would have my support if voted on separately, I will tell my colleagues what is in the bill that prevents me from voting in its favor.

First of all—recent surveys show that America prefers that we keep on reducing the deficit—as we have done since 1993—the first time the deficit has declined three years in a row since Harry Truman was President. They don't want a tax cut—and especially since many of them are now aware that this so-called tax cut won't help them because they aren't rich enough. How rich is rich enough? Earning over $200,000 a year is rich enough. That will get you about $11,000 in tax cuts. But if you earn under $30,000 a year, you might get about $124 in reduced taxes.

The so-called tax cut for middle America isn't. That is, middle-income working Americans will not realize much of a benefit from any of the tax-cuts proposed. Fifty-one percent of all tax cuts and tax credits in the bill go to the richest people and corporations. For example, while I could and would support a reduced capital gains tax for individuals holding assets they wish to sell, I cannot in good conscience support the 50 percent capital gains exclusions for individuals because of its serious, adverse effect on small businesses. West Virginia is made up of small businesses—and it is these that create more jobs in my State than any other employer. We need those jobs. I can't afford to vote for something here that will hurt, not help them. Let me quote to you from a letter from the U.S. Small Business Administration, dated April 3, 1995:

> Specifically, Sec. 6301 of H.R. 1215 (or H.R. 1327) * * * creates a 50 percent capital gains exclusion for individuals but, in doing so, repeals the special small business capital gains tax incentive in the existing law (P.L. 103–66, Sec. 13113). This will have the effect of raising the taxes of future investors in qualifying, high growth, small businesses from the previous maximum rate of 14 percent to the new rate of 19.8 percent. This may be the only category of taxpayer to have its taxes raised under the capital gains provisions of the proposal.

She goes on to say:

> * * * the repeal is troubling for small businesses for two reasons. First as a matter of even-handed tax policy, it seems incongruous to raise the tax rates of those who invest in the research, plant and equipment of a high-risk, emerging growth company while rewarding non-productive speculation in real estate or the stock market with substantial tax reductions.

So to all my colleagues whose districts are comprised of many small businesses, which create the jobs our Districts need, but not so many big businesses, beware of voting for this bill because of the much-touted reduction in the capital gains tax for individuals. If you don't believe me, read the two-page letter from the Small Business Administration.

Another provision—reducing and ultimately repealing the Alternative Minimum Tax for business. This AMT was put into the 1986 tax reform legislation because we learned that more than 130 companies—from A to X—Aetna to Xerox, not only didn't pay any taxes between 1982 and 1985, but that many such companies received tax rebates. Companies such as these will be back on the ''no tax'' gravy train if this bill passes as is.

Proponents of H.R. 1215 will tell you it won't cost but $188 billion. Treasury estimates put the cost at near $700 billion over 10 years.

You might ask: How is the majority going to pay for this tax cut bill?

First, they would ''save'' $100 billion in unidentified cuts in discretionary programs. While the programs haven't been precisely identified, the Budget Committee chairman, in his budget proposal, H.R. 1219, has a list of ''proposed areas'' in which cuts should be made. What cuts? Student aid comes to mind—$13 billion in cuts. Repeal of the Davis Bacon Act comes to mind. Repeal of the Essential Air Service comes to mind. There are many, many other discretionary safety-net programs included in the $100 billion cut.

Secondly, they would claim the $62 billion ''saved'' when they passed, without my support, their so-called Welfare Reform bill—a bill that makes war on innocent children and pregnant women, and senior citizens.

Thirdly, they would claim the $17 billion in Rescissions recently passed by the House, which I have already rejected.

Fourth, they would find another $10.8 billion in ''savings'' under Medicare by cutting both services to seniors, and payments to doctors and hospitals.

Fifth, they would find another $10.5 billion in new payroll taxes for Federal employees. This small segment of our working population—1.8

million Federal employees—would be expected to pay more into their pension plans, and get less out when they retire. These people are being given a tax increase—to help pay for a tax cut for the wealthiest population in the United States.

The Committee on Government Oversight and Reform couldn't muster enough votes among its majority party to report this bill changing the Federal Retirement System and yet it has been plunked down in the middle of a so-called middle-income tax cut bill.

The Congressional Research Service, in a report issued March 18, 1995, clearly stated that: the Federal retirement system is self-financing and its costs can never exceed its income—now or in the future. In other words, it ain't broke and it don't need fixing.

The $62 billion in claimed ''savings'' in this bill to help pay for the tax cut, comes directly from cuts in school lunches and breakfasts, in reductions in WIC for pregnant women and children, from denying assistance to children of teen mothers under 18 years of age, and from denying assistance to children whose mothers have other children, or who have been on welfare more than 60 months. All this amounts to an economic jihad against helpless children. If government won't take care of them who will? If not now, when? When it's too late? When children have been arrested in their mental and physical development due to a lack of adequate and proper nutrition? Amazing to see this happening to children, when all we've heard from the past two years is how to encourage preventive health care to keep down health care costs.

Last, while I reiterate that this bill's stated cost of $188 billion will grow to nearly $700 billion over 10 years—seven times more in the second 5 years than in the first 5 years—let me also state another provision lacking in the bill that would make it much more acceptable, if that were possible, and that would be the elimination of corporate welfare.

I am a cosponsor of legislation, known as the ''Corporate Welfare Reduction Act'' to eliminate corporate welfare. This legislation will close a $200 billion loophole that buries corporate welfare in our tax code in the form of giveaways—while we continually ask Americans to sacrifice more and more in higher and higher taxes. We sought to make our bill in order under the Rule, so that Members could vote for this legislation while considering the tax cut bill. The Rules committee rejected our request, yet it would have given us the chance to ''find'' $200 billion to cut out of our tax code, and perhaps make it unnecessary to cut programs for the poor, low-income working Americans, the elderly, and school children.

And just this past week, Mr. Chairman, the majority adamantly opposed requiring those persons who renounce their citizenship in this country and take their assets overseas—tax free—to pay tax on their assets—on the profits they made doing business in the United States under our free enterprise system—before they are allowed to renounce their citizenship. It was deleted from the bill, H.R. 831.

I am a lot more concerned, Mr. Chairman, about Child-Fare than I am about Corporate fare. How can the richest Nation on earth, the only true Democracy, think of declaring war—the equivalent of an economic jihad—on children so that greedy corporations can get richer, fat cats can get fatter, stockholders' dividend checks can get bigger, and salaries of Corporate CEO's can exceed $6 million a year in many cases.

Vote in favor of H.R. 1215? I think not, Mr. Chairman. A vote in favor of this bill, among other things, would have me vote for the heart of the FY95 Budget Resolution which hasn't even been brought before the House yet this year—cutting $100 billion randomly among discretionary programs. These cuts, of course, have not been specifically identified, but they point to cutting $13 billion in student aid, and repealing the Davis Bacon Act, the Economic Development Act, the Appalachian Regional Commission, and many others. This is a pig-in-a-poke and I am not buying it. When H.R. 1219—the budget resolution—comes to the floor, the majority is going to get up and tout the passage of H.R. 1215—saying: Gee, guys and gals, you've already voted to cut $100 billion when you voted for the ''crown jewel'' of the Contract With America—the tax cut proposal, so step right up and vote for the budget bill—it is one and the same.

A vote in favor of H.R. 1215 would have me voting for $17 billion in rescissions—which I've already rejected once.

A vote in favor of H.R. 1215 would have me voting for $62 billion in welfare reform cuts to programs that serve at-risk women and their infants, hungry school children and the elderly who need home heating assistance to keep from freezing to death in the winter—a bill I have already rejected.

A vote in favor of H.R. 1215 would have me voting for $10.8 billion in Medicare cuts, both in services to the elderly and to hospitals and physicians.

A vote in favor of H.R. 1215 would have me voting to require 1.8 million hard-working Federal employees to pay more into their retirement system and get less out of it upon retirement. It would add $905 more in payroll deductions for Federal employees each year, in order to give an $11,000 tax cut to individuals earnings more than $200,000 a year. This is a blatant new payroll tax on working Americans to help pay for a tax cut for the richest 12 percent of 260 million people who live and work in the United States. It pits 1.8 million Federal workers and retirees against the rest of the country. Talk about David against Goliath.

Those of us who were here in 1981, have been down this road of trickle-down, borrow and spend economics. The economic policies of the 1980's made us into a debtor nation for the first time in our history—we now owe foreign countries more than they owe us. We saw those economic policies translate into a quadrupling of our national debt.

Let's not go down that road again.

In conclusion let me say this: Any tax cut bill ought to be tied to deficit reduction, through carefully crafted spending cuts, not by using a meat-ax approach, so that we don't give parents money today that their children will have to repay in the future in the form of a mammoth interest on a mammoth national debt.

Let us save $200 billion by eliminating tax loopholes protecting corporate welfare in our tax code such as that embodied in the Corporate Welfare Reform Act which I and my colleagues have introduced, instead of taking $200 billion out of the mouths of hungry kids.

Let us concern ourselves with child fare—not protecting welfare for the wealthy.

I said early on, when the Contract With America was first presented to the House: there are a lot of god ideas in there—but none of them should be enacted if they intentionally harm the children. The biggest part of the contract that supposedly saves the most money is that which reduces and takes away support for children, in their nutrition programs, in their child care, in Head Start, in food stamps, in AFDC, in Medicaid. A literal war on children.

A tax cut bill should be one which provides relief for America's struggling families—and that alone should remain a top priority. The power to un-tax is the power to truly rescue those who need rescuing. Regrettably, H.R. 1215 does none of these things.

I urge my colleagues to reject this bill by voting against it.

Mr. BORSKI. Mr. Chairman, I rise in strong opposition to H.R. 1215, the so-called Tax Fairness and Deficit Reduction Act. Mr. Chairman, this bill is the farthest thing from being fair. The tax cuts included in this plan overwhelmingly benefit the highest-income Americans and will be paid for with cuts in programs important to working people and senior citizens.

The Treasury Department's analysis of this plan shows that the tax cuts in this bill will primarily benefit wealthy Americans. According to the Treasury, over half of the tax cuts in this proposal benefit only the top 12 percent of families with incomes over $100,000, and 20 percent of the cuts benefit only the top 1 percent of families with incomes over $350,000. In addition, this bill would eliminate the Alternative Minimum Tax [AMT] allowing huge corporations like Mobil Oil and Texaco to pay no taxes at all.

Mr. Chairman, I do not believe that the highest-income Americans and corporations need big tax give-aways from the Federal Government. The problem in this country is not that wealthy Americans do not have enough money, but that working Americans do not earn high enough wages. This bill does nothing to address this fundamental problem for working Americans. In fact, it will make matters worse for them.

The Republicans have proposed to pay for these tax cuts for the wealthy, which will cost nearly $200 billion over 5 years and $600 billion over 10 years, by cutting deep into programs vital to working Americans and senior citizens.

Their plan will repeal the Davis-Bacon Act which ensures a decent wage to laborers working on federally funded or assisted projects. Repealing the Davis-Bacon Act will make small contractors and their employees vulnerable to wage busting by outside companies.

In addition, H.R. 1215 will cut over $11 billion from Medicare. This Medicare cut will force premiums for senior citizens to increase by 25 percent of program growth. With Medicare growing by over 10 percent a year, it will not be long before Medicare premiums eat away at senior's Social Security check and force many seniors below the poverty line.

This bill will also impose a tax on Federal workers by raising their retirement contribution rate by 2.5 percent. This provision will raise taxes on the average Federal employee by $750 a year. I feel it is unconscionable to raise the taxes of lower-middle and middle-income families by nearly $11 billion to pay for tax cuts for the wealthy. H.R. 1215 also will reduce the pensions of Federal workers by

changing the formula that is used to determine their pension benefit.

In addition, the Republicans have targeted student loans. Students in my State of Pennsylvania will lose $830 million in higher education assistance. While education is becoming the key to higher wages in a changing economy, Republicans will raise the cost of attending college and force many students out of school altogether, denying them the only chance they have to secure a decent living.

Mr. Chairman, I believe it is absolutely unjust that Republicans are even considering cutting these highly successful programs for working Americans and seniors in order to cut taxes on the wealthiest Americans and corporations. Those who say that these tax cuts on the wealthy will grow the economy and trickle down to the rest of the country had better read their history. This supply-side economics logic was tried under the Reagan administration and was a complete failure for working Americans, whose incomes stagnated and whose taxes increased. It was also the root cause of our enormous deficit problems today which continue to threaten our future. The American people will not be fooled again. They know that this is merely a give away to upper income Americans and special interests and they are the ones who will have to pay. I urge my colleagues to defeat this highly unfair tax bill.

Mr. BEREUTER. Mr. Chairman, this Member rises in reluctant support of this measure.

This Member will vote for H.R. 1215, as it does contain many positive provisions, but he remains concerned that this bill was not allowed to be made better through the amendment process. This Member believes the Senate will improve the bill. Sounds emanating from the Senate indicate a more equitable and reasonable approach on some expected parts of this omnibus tax-cut legislation. And Mr. Chairman, it must be improved before this Member will support a conference report. Specifically, an improved bill must target its tax breaks toward truly middle income Americans.

Still, this Member does support this bill because of the many positive steps it will take to restore a sense of tax fairness to the American people. These include:

A 50 percent cut in the capital gains tax and prospective indexing for inflation. After years of taxing individuals and businesses at the current rate, without any relief through indexing for inflation, this cut and the beginning of indexation to account for the ravages of inflation is the least we can do.

Elimination of the Marriage Penalty. The bill at long last would provide married couples who file joint returns with an income tax credit of up to $145 to at least reduce the marriage penalty for most couples. This provision ends the inequitable and irrational current policy of taxing married couples more than if the couple filed separately. It is notable that this bill eliminates this problem, which was exacerbated by the Clinton tax increase of 2 years ago.

Expansion of existing IRAs and creation of a new type of IRA. The measure modifies present law governing deductible IRAs to permit annual deductible contributions of up to $2,000 for each spouse, thus finally eliminating a penalty on spouses who choose to be homemakers. Additionally, the measure provides for creation of American Dream Savings [ADS] accounts. Individuals will be able to contribute up to $2,000 per year—$4,000 for married couples—into a tax-free, nondeductible ADS account. Contributors will pay income tax when funds are deposited, but not when withdrawing the funds, effectively making the interest on the account tax free. Contributors may make tax-free withdrawals of funds after 5 years for retirement income, purchase of a first home, education expenses, or medical costs—including the purchase of long-term care insurance.

Increasing the exemptions under the Estate and Gift tax from $600,000 to $750,000 to account for the ravages of inflation since the current exemption was first enacted and then indexing the exemption to inflation. Families and small business owners have been hit hard by an exemption which has not been indexed for inflation. They have seen their ability to pass on family businesses and farms diminished by the increasing value of the property. By increasing the exemption we make up for past inflation and indexing the exemption assists families and small businesses down the road.

Increasing the depreciation on equipment and inventory for small businesses. The current depreciation limit of $17,500 is increased over 4 years to $35,000. This increase provides some relief to small businesses—allowing them to expand and update, thereby creating new jobs and a stronger economy.

Increase in the Social Security Earnings Limit. The bill raises the current $11,280 earnings limit for seniors to $30,000 over 5 years. This change which I have long supported eliminates what amounts to a 33-percent marginal tax rate on seniors earning up to $30,000. It is ridiculous that we punish seniors who want to remain productive and pay more income taxes past the age of 64; this measure ends that punishment.

Tax incentives for private long-term health care insurance. To encourage people to provide for their long-term care needs, the bill treats long-term care insurance as a tax-free employee benefit—up to $73,000 annually—like regular health insurance; allows life insurance policies to offer tax-free accelerated death benefits in the event of terminal illness or confinement to a nursing home; allows tax free withdrawals from IRA's, 401(k) plans and other pension plans for the purchase of long-term care insurance; and allows deductions for long-term care premiums.

Repeal of the Social Security Benefits Tax. This measure reduces, over 5 years, the amount of Social Security benefits subject to income tax back to 50 percent, eliminating the increase to 85 percent which was passed as part of President Clinton's tax increase package, passed by the Democrat controlled Congress in 1993. Elderly citizens earning more than $34,000 individually, or couples earning more than $44,000 will now be taxed on 50 percent of their benefits, not 85 percent as they were under the Clinton plan.

Adoption Assistance. The bill creates a refundable tax credit for adoption expenses. The credit starts at $5,000 per child and is proportionally reduced to zero for incomes exceeding $60,000, eliminating it totally for adjusted gross incomes over $100,000.

Despite these many positive provisions this Member's support is reluctant because only one amendment was made in order under the rule. This closed rule violates the spirit of the Contract With America since it calls for full and open debate and a clear and fair vote on each of the 10 Contract items. The Ganske/Roberts amendment should have been ruled in order. At least 102 Republican Members and many Democrats wanted to vote for the Ganske/Roberts amendment. It was a reasonable and fair amendment which helped maintain equity in this bill for people who really are middle-income Americans. Those provisions, limiting the $500 per child tax credit to families earning $95,000 per year or less, were intended to fine tune this measure toward assisting those we have pledged to help—the middle income.

A $95,000 per year income is a much more realistic cut-off for determining who is middle income. Try telling the people of Nebraska that families earning up to $200,000 are middle income; you won't have much success. This is a very substantial tax cut for wealthy and upper-income Americans—a loss of revenue that should have been devoted to reducing the deficit. And I might add, Mr. Chairman, my informal survey of my constituents shows that, on an 8 to 1 ratio, they believe that savings from reduced expenditures should first be used for deficit reduction. Provisions in this bill like the repeal of the Alternative Minimum Tax for corporations are not helpful to middle income Americans and it is bad tax policy which reverses recent reforms. Savings achieved by the cuts made in this measure should either benefit people who truly are middle income or go toward reducing the deficit. They should not provide additional tax benefits to corporations and the wealthy.

Mr. Chairman, despite my concern about some of the provisions of this bill, the positive reform elements just mentioned on balance easily make this a good and needed bill. This Member urges its passage, while lamenting that all of the provisions in the bill are not as effective and reasonable as those positive ones that this Member has highlighted.

Mr. GILMAN. Mr. Chairman, although there are many worthy provisions in this measure, H.R. 1215, I must take exception to the inclusion of title IV, the Congressional and Federal Employee Retirement Equalization Act. It is important to note that due to a lack of consensus by Members of both parties, these retirement provisions, originally H.R. 1185, never came to a vote in the Committee of Jurisdiction. Now these same provisions are being brought to the floor under a closed rule and as part of a separate legislative package. These actions stand in direct contradiction to the committee process and have in effect, restricted debate on an issue that will affect thousands of hard working families in my district.

The inclusion of title IV in a tax reduction bill seems ironic because, in essence, title IV is a tax increase on Federal workers. Title IV mandates a 2.5 percent payroll tax increase on Federal employees and institutes a fundamental change in the calculation of each worker's retirement benefits. The Congressional Budget Office estimates that this change will cause Federal workers to suffer a 4 percent decrease in future pension benefits. In this same bill which grants a tax benefit of $500 per child for families with an upper limit income of $200,000, title IV will cost an additional $750 per year for the family of a Federal employee earning an average salary of $30,000 per year. Along with many of my constituents, I believe this is an unfair burden to place on our dedicated Federal workers.

Most importantly, the central issue of the debate over title IV is the issue of honoring the commitments we have made to Federal employees. When Congress restructured the Federal Retirement System in 1986, barely 9 years ago, we set up the FERS system on a self-sustaining basis and established a system for honoring the liabilities of the old Civil Service Retirement System. At that time we promised our Federal employees that this would be the last time we would alter their pension plan. Many hard working families relied on that commitment and planned their families' futures based on that commitment.

We should live up to the contract we have made with our Federal workers. Title IV of this measure breaks that promise.

Regrettably, title IV has been included within a tax and spending reduction bill which includes many positive proposals, including: A tax credit for long-term care, the establishment of an American dream savings account, relief of the marriage penalty tax, IRA deductions, and capital gains benefits and reductions.

These tax cuts are fiscally responsible. Of course that tax cuts as a whole reduce Federal revenues, that is what tax cuts do. However, families in my district deserve a tax cut and deserve to have Federal spending reined in. Accordingly, this legislation will accomplish both, cut spending that needs to be cut and using those savings to reduce taxes for American families and businesses.

Accordingly, I will vote for passage of this measure, despite my objections to the provisions of title IV.

Mr. COSTELLO. Mr. Chairman, tonight, the House is being asked to approve large and growing tax cuts that make the goal of balancing the budget farther and farther out of reach. The Republican ''Contract with America'' promised to balance the budget. However, it does not make sense to make drastic and painful cuts in order to provide a tax break to wealthy Americans before we get serious about deficit reduction.

While this bill pays for the tax breaks over a 5-year period, after five years the costs explode, and the federal deficit will actually increase. The long-term result of this bill will be an increase in the deficit by $630 billion over 10 years. This would be the second largest deficit increase in history, behind only the 1981 tax cuts.

Mr. Speaker, this is epitome of hypocrisy. If Republicans were serious about deficit reduction, as they claim, the spending cuts included in this tax package would be applied to the deficit, rather than financing a huge tax break for the wealthy.

This tax-and-spending-cut package will cut programs for the most vulnerable in our society to pay for tax breaks that will largely benefit wealthy American citizens. This bill has been called the ''crown jewel'' of the Republican ''Contract With America,'' but it appears most of the crown jewels will only go to the rich.

To reduce our Federal budget deficit, we must cut every area of our discretionary budget. However, to make these very difficult cuts only to give the savings to wealthy Americans does not make sense to me. That is why I oppose this ''crown jewel'' of the ''Contract With America.''

I believe we must restore fiscal sanity to our budget process. We have an obligation to put an end to the huge interest payments that are eating away at our children's future. However, the solution to this problem does not lie in handing over our nation's ''crown jewels'' to those who need them the least.

Mr. KLECZKA. Mr. Chairman, this is a sad day for this country . Today, the Republicans passed what should be called a ''Deficit Acceleration Bill'' under the guise of a tax cut bill.

This measure will not receive my support because it is a Trojan Horse. It sounds and looks friendly, but it will have dire consequences by exploding the federal budget deficit we have worked so hard the last 2 years to contain. If passed into law, this measure would entail a $630 billion loss to the Federal Treasury over the next 10 years. That is inexcusable.

We have a debt of $4 trillion. We have annual deficits estimated to rise in future years due to demographics. Moreover, we are $1.2 trillion short of the balanced budget so many of us want to achieve over the next 7 years. Cutting taxes in this manner and at this time is the absolute height of folly.

This bill is the same mindset as the trickle-down, supply-side tax cuts made during the early 1980's. Those tax cuts, along with massive defense spending increases, got us into this fiscal mess. Those tax cuts are the reason each and every child born in this country is born about $20,000 in debt. They are the reason we pay 16 percent of our budget on interest payments on that debt.

My constituents have told me over and over that they want us to concentrate on cutting the deficit first. They have said so consistently, and I agree with them. That is why the Deficit Acceleration Bill is not just wrong, but morally objectionable. It robs our children and our grandchildren of their futures. And, it ruins any chance of responsibly achieving a balanced budget.

This bill offers huge tax benefits to the wealthy and precious little to those who could use them—hard-working, middle-income Americans. Nearly two-thirds of the tax benefits provided by the Deficit Acceleration Bill will go to those earning more than $75,000 a year. Moreover, the bill gives people who make up to a quarter million dollars unneeded tax relief.

The tax cuts will amount to nearly $1,000 a month for the average household with children that has income over $200,000, but less than $66 a month for those that earn between $30,000 and $75,000. That is just $16 a week, which is not enough to take a family to the movies for a matinee these days.

It is my hope that the next step is for the Senate to reject this Deficit Acceleration Plan so we can work together on a bipartisan basis to address our long run deficit problems. As Vice President Gore said this week, ''On Day 101 we're going to start fixing the damage that was done during the 100 days of the Republican Contract.'' There is no piece of legislation more in need of fixing than the bill we are considering today.

Mr. YOUNG of Florida. Mr. Chairman, I rise tonight in support of H.R. 1327, the Tax Fairness and deficit Reduction Act of 1995, one of the most pro family bills this House will consider.

This legislation, which incorporates several provisions contained in the 10 points of the Republican Contract With America, makes good on the promise we made to ease the tax burden on American families. H.R. 1327 delivers the kind of genuine change that the American people asked for in November, and I am pleased that the House is acting on this legislation, as pledged, within the first 100 days of the 104th Congress.

The family is the core of our society, and the Congress should support our nation's families, not penalize them. We support families with this legislation by addressing the so-called ''marriage penalty'', where married couples pay more in taxes than they would as two individuals. I have long been a critic of the marriage penalty, and believe that the government should not punish people for getting married.

H.R. 1327 is pro family because it will help this same couple when they have children by providing a $500 per child tax credit. If they choose to adopt a child, this bill establishes a refundable tax credit for adoption expenses. This same family will also benefit from the creation of the American Dream Savings Account. Individuals can contribute up to $2,000 a year into these accounts. They can then make tax-free withdrawals if used for retirement income, for a first time home purchase, for post secondary education, for medical emergencies, or purchasing long-term care health insurance. Make no mistake about it, tonight we are helping families buy their first home, educate themselves or their children, and plan for their future medical needs. While the initial deposit is taxed, by allowing interest in these accounts to accrue tax free, we will foster the American dreams of home ownership, a better job, and retirement security while increasing our nation's savings rate.

When families start to age, H.R. 1327 provides a $500 refundable tax credit for individuals who care for a disabled parent or grandparent at home. Families will benefit because this legislation encourages people to plan ahead for their long-term care needs, by allowing tax-free withdrawals from IRAs, 401(k) plans, and other qualified pension plans so they can purchase long-term care insurance. Also, H.R. 1347 allows a tax deduction for long-term care premiums, and encourages employers to provide these policies by treating them as a tax-free employee benefit like regular health insurance.

As the Representative of Florida's Tenth Congressional District, which is home to one of our Nation's largest populations of senior citizens, I am also pleased that H.R. 1327 will remove a number of onerous burdens on older Americans. One of the first bills I ever introduced in Congress would have repealed the Social Security earnings limitation, and I have consistently cosponsored legislation that would overturn the unfair limit on outside income which penalizes older Americans for working. While the former House Leadership failed to allow us to debate this legislation on its own in the House, and prohibited us from raising it as an amendment to any other pending legislation, I am pleased that today, we will be able to vote for this bill that would raise the earnings limit from $11,280 to $30,000 over the next 5 years. As I have repeatedly told my colleagues, I firmly believe our Nation can benefit greatly from the skills and experience of older employees, and we should encourage their contributions to our economy.

Another portion of the contract that I strongly support is the repeal of the 1993 Clinton tax increase on Social Security benefits. I opposed the original legislation that required senior citizens who earn more than $34,000,

or couples earning more than $44,000, to pay income taxes on 85 percent of their Social Security benefits. I cosponsored legislation in the 103d Congress to repeal this tax increase, and I will support this legislation before us which will roll this tax back over 5 years to the pre-Clinton levels.

Finally, one of the most important parts of the Tax Fairness and Deficit Reduction Act is a reduction in the capital gains tax rate. I have long been supportive of these efforts, because this reduction will be good for all Americans. Allowing individuals a deduction equal to 50 percent of their net capital gains for a taxable year is good economic policy because it will encourage personal savings in our Nation and help our captial markets preform more efficiently. By increasing our Nation's personal savings, we will make it easier for businesses to raise capital in order to expand, and create more jobs, leading in turn to more economic opportunities for every American.

Mr. Chairman, the legislation before us this evening makes good on many of the promises we made in the Contract With America. It is pro family. It promotes higher education. It respects the contributions older Americans have made to our Nation. It encourages home ownership. It fosters savings. Most importantly, it creates greater economic opportunities for all sectors of our society.

Mr. Chairman, this legislation is pro family, pro growth, and pro America. I urge its strong support this evening.

Mr. MANZULLO. Mr. Chairman, the passage of the tax legislation that we are considering today will be a triumph for our Nation's seniors. One of the most onerous and counterproductive taxes that exists in our current code is the Social Security earnings test. This penalty reduces Social Security benefits for those ages 65 to 69 by $1 for every $3 earned above $11,280—a 33-percent marginal tax rate. In fact, because of President Clinton's 85 percent tax on so called wealthy senior's benefits, many workers age 65 to 69 face a marginal tax rate as high as 88.8 percent.

Without question, these high marginal tax rates affect the behavior of senior workers. About 1.9 million retired workers in this country age 65 to 69 who are eligible for Social Security benefits earn income. An inordinate number of them earn up to or near the earnings limit and then quit working. It is obvious that these workers earn all they can without being subject to the retirement earnings penalty.

Mr. Chairman, I know first hand of such behavior and the importance of this legislation. A constituent of mine, Bess Marsala from Rockford, IL, called me regularly last year to find out the status of Representative DENNY HASTERT's legislation in the 103d Congress that would have raised the earnings limit. She candidly told my staff that she had job opportunities that would have put her earnings over the current $11,280 limit, but had to decline due to the draconian and punitive taxes she would incur.

Mr. Chairman, the retirement earnings limit has been part of Social Security since its inception. The original reason given for it was that Social Security should replace lost earnings. Benefits, it was believed, should not go to people who continued to work. This policy was consistent with the Depression era view that Social Security should encourage older workers to leave the work force, making more jobs available for the young.

Times have changed. The United States now faces a shortage of workers, not a glut. The continuing labor force participation of older Americans who possess valuable skills acquired over 30 or 40 years is increasingly important to the health of the U.S. economy. The result of the current earnings limit is that a vast store of human capital, rich in talent and ability, is wasted.

Raising the earnings limit for retired workers makes good economic sense. The substantial reduction in marginal tax rates on wages will lead to an increase in labor effort that yields additional income and payroll tax revenues to offset the increase in Social Security benefit payments.

Mr. Chairman, I am excited that today I will be able to tell Bess Marsala that the House of Representatives has taken the first step toward giving seniors such as herself the freedom to work.

Mr. GILLMOR. Mr. Chairman, I rise today in support of H.R. 1327, the Tax Fairness and Deficit Reduction Act of 1995. It is with a great sense of personal satisfaction that I see this bill come to the House floor for debate as part of it, the ability for individuals to create American Dream Savings Accounts, is very similar to a bill I have been introducing since my first term in Congress. That bill, the Education Savings Account, H.R. 769, contains many of the provisions which are included in the legislation we are now debating.

My legislation would allow families to contribute $1,500 annually, tax-free, to education savings accounts for each child under age 19. This provides an incentive for families to begin saving while their children are young. For families who have children closer to college age, this bill has the unique feature of allowing an immediate transfer of funds from an Individual Retirement Account [IRA] to the ESA so that those savings can be used for higher education. Money in the ESA not spent on education can be transferred penalty-free back to the IRA.

Enactment of the tax bill we are now considering will allow families to take the initiative and begin saving for their children's education. We all realize how important higher education is to succeeding in today's work force and the cost of college is continually escalating.

Consider the fact that the family share of college expenses has increased to more than 50 percent with parents contributing over one-fourth of the total spending on higher education and student contributing about one-fifth. This holds for both private and public schools, although the contribution is generally greater for those families whose children attend private institutions.

In fact, if present trends continue, the cost of a college education for my own son who will enter college in the year 2010 could be as much as $107,000 for 4-year public schools, $168,000 for 4-year private schools and $29,000 for 2-year community colleges. That is why it is imperative for us to enact legislation such as H.R. 1327 to help families prepare for these exorbitant costs.

The Fifth District of Ohio, which I represent, is small town Ohio at its best and in many respects represents the same viewpoints of small communities throughout our country. From traveling through my district, one of the most common complaints I hear is that government spends too much and taxes too much. ''Cut government spending and cut it now'' is a frequent refrain. I am delighted that the 104th Congress is about to vote on actually implementing some of these reductions. For example, as a result of this legislation your average tax reduction per filer in Ohio will save $1,439.

Let me briefly examine some of the more important provisions which will have such great impact on small town Ohio. There is a section which would increase the Federal estate and gift tax exemption from $600,000 to $750,000. This increase is important for small business owners and farmers who wish to pass on their businesses to their children.

There is also a changed requirement with respect to capital gains, the alternative minimum tax, and accelerated depreciation. All of these provisions will strengthen our Nation's economy and make for an improved business climate.

Another reason for supporting this bill is that it goes a long way in restoring faith and confidence in our seniors while giving back to them some of the financial security that was stripped away by the administration's budget 2 years ago. This bill takes three important steps for seniors.

First, it raises the earnings limit for seniors who want to work and remain productive citizens. Government should not prevent people from working, keeping them against their will in a nonactive, nonproductive retirement. There are thousands of seniors who would love to contribute to our society and we should allow them the ability to do so.

Second, the tax reductions bill repeals the tax hike on Social Security benefits imposed by the Clinton administration's budget in 1993. The tax should be eliminated for a couple of reasons. To increase taxes on seniors who are in retirement on fixed incomes is to target one of our most vulnerable populations. It would be wrong to increase taxes on working seniors, seniors wanting to remain in the work force.

The final reason I am for this tax reductions bill involves long-term care insurance. For many seniors, long-term care becomes a necessity. We should provide incentives for people to purchase long-term care insurance before they need it. This bill provides tax deductibility towards the purchase of long-term care insurance so that when people are in the unfortunate situation of needing long-term care, it will be there.

I think the issue of Federal pensions needs to be examined. I believe the review of them has not been adequately completed, and the provisions regarding them should not be included in this bill. However, we must evaluate the bill as a whole, and on balance it is a good bill. The pension issue needs to be reviewed before this bill clears Congress.

Mr. Chairman, today is not the final act in implementation of the Contract With America. Many of the initiatives must be debated by the Senate. But it is absolutely critical that the Members of the House of Representatives endorse this package with the strongest possible vote and begin delivering real and meaningful tax reform to Americans.

Mr. SERRANO. Mr. Chairman, I rise in strong opposition to H.R. 1215 and urge my colleagues to reject it.

With our overall economy doing well, and with the American people demanding attention

to the Federal deficit, this is not the time to cut taxes.

But even if this were the time, I believe any tax cuts should be directed to helping working families improve their lives and enhance their ability to participate fully in our economy. Instead of this bill, we should be looking at further expanding the earned income tax credit, providing other refundable credits, or providing credits or deductions for the costs of education and training, as the Democratic leader's substitute would do.

Instead, we have a bill that directs more than half of its benefits to households with incomes above $100,000 and over 66 percent of its benefits to households above $75,000.

And how do we pay for all this generosity? Well, by cutting appropriations for programs such as those on the Budget Committee's list of illustrative cuts—LIHEAP, job training, workplace safety, education, housing, biomedical research at NIH, to name only a few—none of which should be used to offset anything on the pay-as-you-go side of the budget. And by slamming Federal employees through their pension system. And by raiding the Medicare trust fund. Any by relying on the wrong-headed savings from welfare so-called reform, which will in fact either increase State costs—and State taxes—or increase misery among our most vulnerable populations.

I will concede that H.R. 1215 has a couple of good points, such as the accelerated death benefits provisions, which I cosponsored, and the tax credits for expenses of adoption and of caring for an elderly relative at home. Of course, the credits would be much better if they were refundable, as they were in the contract, to encourage people of limited means to build and strengthen families.

But overall, the bad points in this bill far, far outweigh the good. Where to begin?

If I begin at the beginning, I must protest the provisions that violate the spirit of the Budget Act by removing the barrier between the discretionary and the pay-go sides of the budget, allowing appropriations cuts to offset tax cuts. The portion of the budget that is subject to appropriation has already been the major contributor to deficit reduction, but has not—until now—been available to pay for tax cuts. This is very bad policy.

Then there's the extraneous stuff, particularly the provisions relating to Federal pensions that couldn't win a majority vote in the committee that actually has jurisdiction over them. But here they are, in H.R. 1215. The authors of the Contract With America want to violate the Federal Government's contract with its employees. Two million Federal employees face tax increases that exceed any tax cuts they might hope to receive from the rest of the bill, so we can cut everyone else's taxes.

The American Dream Restoration provisions would explode the deficit, especially in the years beyond our 5-year budget calculations.

The family tax credit in the original contract was refundable, so all families with incomes up to $200,000 could benefit, even those whose income tax liability is small, but who still pay Social Security, Medicare, and State and local taxes. But in this bill the credit is not refundable. The parents of 34 percent of American children will not be able to receive the full credit because their incomes are too low. Only the better-off fully benefit from this credit.

The American Dream Savings Account is written so that it brings revenue in in early years but loses tremendous amounts after 5-years, just when efforts to balance the Federal budget are at their most intense.

The overwhelming winners under the capital gains tax rate reduction for individuals are the households with incomes over $100,000, which would receive 76.3 percent of the benefits.

The business tax changes are also backloaded, with major revenue losses coming in the years after 2000. And even as the big changes in depreciation make an alternate minimum tax more necessary, to assure that profitable businesses pay at least some income taxes, the bill phases the minimum tax cut.

The taxpayer debt buydown is another deeply troubling concept. We are already facing extremely hard choices as we attack the federal deficit, but the ''glideslope'' could become impossibly steep if taxpayers can divert up to 10 percent of income tax revenues from legitimate Government spending to a debt reduction fund.

Mr. Chairman, this is an untimely, bad, misguided bill. I urge all my colleagues to vote to reject it.

Mr. ABERCROMBIE. Mr. Chairman, I submitted to the Rules Committee an amendment to H.R. 1215, the Tax Fairness and Deficit Reduction Act of 1995, regarding the one-time exclusion of gain from sale principal residence by individual who has attained age 55. However, under this closed rule I will not have the opportunity to offer an amendment which deserves consideration by the House.

Currently, under 26 U.S.C.S. section 121, an individual has the option to elect not to include gain from the sale or exchange of property if they meet certain criteria: First, the taxpayer has attained the age of 55 before the date of such sale or exchange, and second, during the 5-year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as his principal residence for periods aggregating 3 years or more.

Furthermore, the limitations for the application of this option are subject to: First, dollar limitation. The amount of the gain excluded from gross income shall not exceed $125,000—$62,500 in the case of a separate return by a married individual, and second; application. An individual can only elect to utilize this option once.

Mr. Chairman, section 121 was added to the code in 1964. Initially, an individual had the option to exclude a gain of $20,000 from the sale or exchange of property. The attainment age was 65 and during an 8-year period ending on the date of the sale or exchange, such property had to have been owned and used as a principal residence for 5 years.

Since that time section 121 has been amended to its present form. yet, the last time the option to exclude from gross income was increased was in 1981 from $100,000/$50,000 to $125,000/$62,500. My amendment would increase the exclusion on sale of principal residence to $250,000/$125,000. Also, I have included language so that the property would has to be owned and used by an individual as a principal residence for 6 out of the 10 years on the date of sale or exchange.

Mr. Chairman, my amendment is not for speculators. The purpose of the amendment is to provide a real option for individuals who have seen property values increase dramatically since 1981, particularly in the State of Hawaii and other high cost housing areas. In 1980–81, the average cost for single-family housing in Hawaii was $169,000, In 1994, the average cost for single-family housing had risen to $430,000. Nowadays, most of my constituents do not even have the opportunity to purchase a house. They have been priced out of the market. By the same token, seniors who in may cased have lived in the same house for their entire lives do not have the option of selling their property because it would be fiscally imprudent.

Mr. Chairman, it is unfortunate that as the House moves to consider legislation to establish tax fairness I am unable to offer an amendment that would move towards this goal.

Mr. BENTSEN. Mr. Chairman, I rise in opposition to H.R. 1215. While reducing taxes at any bracket is appealing, I believe this legislation is contrary to our national priorities at this time.

There are many provisions in the Tax Code which I believe need to be changed in order to help middle-income families regain lost purchasing power, encourage business investment and expand personal saving. However, as drafted this measure fails to fully achieve these goals. More importantly, by choosing this path, the House is telling the world that we are not serious about deficit reduction. I cannot support that position.

House bill 1215 does not provide sufficient middle income tax relief. The bulk of relief goes to those earning more than $50,000 per year and is greatly skewed up the income scale. The $500 child tax credit is structured so that wage earners who pay most of their taxes through payroll deductions will receive little of its benefit. Anyone earning $50,000 or less will receive little under this bill. The bill provides greater flexibility for deductions for individual for individual retirement accounts and earnings limitation for Social Security beneficiaries, but is deficient on true middle-income relief while potentially increasing the burden on middle-income families by not reducing the national debt.

H.R. 1215 also provides significant relief to corporate tax payers through the elimination of the corporate minimum income tax and neutral cost recovery. Additionally, the capital gains tax rate is cut and indexed for inflation. I believe that cutting the gains rate may spur investment, but I do not believe significant capital is sitting on the sidelines because of the current 28 percent rate. I support indexation of capital gains just as the code provides for income taxes. Taxpayers should not have to pay for the costs of inflation. Yet, I cannot support this combination of corporate tax breaks when the economy is growing and the Government is broke.

I am greatly concerned about the cost of this bill—estimated to be $700 billion over 10 years. This will double the amount of spending cuts that Congress must achieve to balance the budget. Democrats and Republicans know that balancing the budget without this tax cut will be painful. Why increase the pain for limited benefit? Why not address the deficit first?

Where will the cuts come from to pay for this bill? The majority has told us that discretionary spending will be cut in the out years, but that will require future Congresses to

abide by this agreement, in addition to balancing the budget. We now know that under this bill, all Federal employees will have their contributions to retirement increased by 2.5 percent annually while benefits will be reduced at retirement. The net effect is a 2.5 percent tax increase or pay cut for Federal Employees in order to redistribute income through the Tax Code. This proposal will cost $750 for the NASA employee who lives in my district making $30,000 per year. What the American people don't know is that this item was rejected by a bipartisan vote in the Government Oversight Committee but the Republican leadership slipped it into this bill. That breaks the bond between employer and employee and is unfair.

We know that the bill counts on $70 billion in savings from the welfare system, but as we learned from the debate 2 weeks ago, those savings will come at the expense of the States since the welfare reform bill merely cuts spending and transfers responsibility. This so-called reform, with no work requirement, will cost my Sate of Texas $1 billion per year.

So what the proponents are doing is shifting the costs of welfare to the States and cutting the pay of Federal employees to pay for part of the tax cut. The rest will come from the good will of a future Congress.

Let me say, I give the committee credit for including congressional pension reform which I have long supported. Congressional pensions should be in line with other Federal employees. But we should not have to cut Federal employees pay to reform our own pensions. Let's bring that bill up for a vote now, don't hide it in a tax bill.

Passage of this bill will be another missed opportunity to cut spending and balance the budget. This bill spends the cuts Congress already made, but we have learned that to be the case on every spending cut bill considered this year. With the economy growing at a substantial rate, but deficits still running at $200 billion annually, wouldn't it be prudent to pare down the debt first? We should have real tax relief for the middle class, including expansion of IRA's and indexing of capital gains, but we need debt relief first. We should focus our efforts on the middle class, those earning between $25,000 and $75,000 who have seen their purchasing power decline. Debt reduction will help. This bill fails to achieve that goal. When a company is drowning in debt, it cuts that debt, we should do the same. Let's put this measure aside and begin the hard task of balancing the budget.

Mr. CLAY. Mr. Chairman, I rise in opposition to this so-called Tax Relief Act and the punitive measures it would levy against Federal workers.

The Committee on Government Reform and Oversight—which has jurisdiction over Federal personnel issues—has not held a single hearing on the Federal pension legislation before us today. Not long ago Congress spent almost 2 years creating the Federal Employee Retirement System—which is modeled after private sector pensions plans. It is irresponsible for this Congress to circumvent the legislative process in order to sabotage the careful, deliberative program which was painstakingly produced.

The problem with reducing the Federal workers pensions benefits has been well stated by the conservative think tank, the Hudson Institute, in its report, ''Civil Service 2000.''

> If federal pay, benefits and working conditions are perceived to be inferior to those available from private employers, Federal employers may be faced with higher levels of turnover at senior levels, and the challenge of recruiting and keeping senior professional and technical people will grow.

Mr. Chairman, despite what the proponents of this legislation pretend, there is no financial crisis in the Federal Employees Retirement System of the Civil Service Retirement System. Both the Congressional Research Service and the General Accounting Office have confirmed the financial solvency of the Federal retirement program. There is no reason for this body to deny reality.

The pension payment increases contained in the Tax Fairness and Reduction Act will effectively increase taxes for most Federal workers by approximately 10 percent. It is dishonest to attempt to offset a tax reduction for the wealthiest households in our Nation by gutting the pension benefits of our Nation's public servants.

Mr. Chairman, I urge my colleagues to reject this legislation.

Mr. ROEMER. Mr. Chairman, I rise in strong opposition to H.R. 1215, the Contract With America Tax Relief Act of 1995. At a time when 16 percent of all Federal spending is used to pay interest on the national debt, it is clear that it is the wrong time to reduce taxes, particularly in the manner recommended in this bill. We cannot afford to spend $630 billion over the next 10 years on this proposal.

I doubt there is a Member in this Chamber who opposes easing the tax burden on working Americans. In an ideal fiscal situation, I would advocate tax simplification and reduction. I am a supporter of capital gains tax reductions, for example. I hear often and loudly from my constituents about the complexity of the Internal Revenue Code, which many view as overly confusing and punitive. There is no question that improvements can and must be made. I will support budget-neutral tax reduction plans that stimulate the economy.

However, our national debt today stands at $4,873,480,746,464.74, and our budget deficit is estimated to be more than $165 billion this fiscal year alone. As these numbers indicate, our country is in a fiscal crisis. It is nothing short of irresponsible to be considering tax cuts that will add at least $630 billion to the deficit over the next 10 years. We should be looking to cut spending first, not cut taxes.

There are some provisions of H.R. 1215 that I support. I have long favored a targeted capital gains tax cut. The bill includes a 50 percent capital gains reduction for individuals, as well as allows for capital gains indexing tied to inflation. These capital gains changes would greatly assist family farmers and small business owners, and are proposals that I endorse. But is imperative that we pay for these proposals with cuts in Government spending.

I also support the Super Individual Retirement Account [IRA] initiative that is contained in H.R. 1215. Under the Super IRA proposal, withdrawals from IRA's would be penalty-free if used for the purchase of a first-time home, or for education and medical expenses. Once an individual reaches age 59½, withdrawals would not only be penalty-free but interest would not be subject to taxation. With the net personal savings rate in the U.S. at an all-time low of 3.5 percent of gross domestic product, these changes are long overdue.

However, H.R. 1215 contains many egregious and unfair tax changes. The bill repeals the Alternative Minimum Tax [AMT] for corporations. The AMT was established in 1986 when it was discovered that some of the country's largest and most profitable corporations paid no federal taxes or, because they took advantage of countless deductions and tax credits, actually received a tax rebate. Not only does this bill repeal the AMT, which insures that profitable corporations pay a fair share in taxes, but it also permits companies to use their prior AMT payments as credits against future taxes. At a time when even the most effective Federal programs are subject to significant cuts, it is simply unconscionable that many corporations will be able to eliminate some or all of their Federal income tax liability.

This bill will cost middle-income American taxpayers $188 billion in the next five years alone. Yet, middle class Americans will see very little benefit. Those making $30,000 or less will see a tax cut of $124 per year while those making $200,000 can expect to save $11,000 per year under this bill. While I am not promoting class warfare here, I am encouraging tax fairness.

This legislation makes promises which will explode the deficit after the first five years. The offsets contained in the bill are not from Federal entitlement or revenue programs, but rather are derived from domestic discretionary programs. Because these programs are already capped, subject to annual review, and do not grow at the same rate as tax revenue losses or entitlement programs, they will not pay for the tax cuts over time. Simply put, this bill will add to our already overwhelming deficit.

With respect to fairness, or lack of it, school lunches for children and college loans for middle-income students are cut to pay for tax breaks or tax exemptions for large companies. We should not nickel and dime to death child nutrition and college loan programs in order to relieve fair tax obligations for some profitable businesses. Additionally, small subsidies for senior citizens to heat their homes during frigid winters is completely eliminated to fund these tax breaks and loopholes. The best tax cut for all Americans is to reduce the deficit.

For the sake of future generations, we need to focus on deficit reduction. Only when progress has been made on this goal should we look to reduce taxes. Once we are successful in balancing the Federal budget, then we should focus on tax cuts. I hope we can start in a bipartisan way to craft substantive changes in the Federal tax code to encourage long-term savings and investment critical to the competitiveness of our national and local economies as soon as we return from the Easter work period. We need to practice common sense when we revise the tax code.

Mrs. COLLINS of Illinois. Mr. Chairman, the bill we are considering today may be called the Tax Fairness and Deficit Reduction Act; but there is nothing fair about this tax bill.

For 2 million middle class Americans, this bill is a tax increase bill, not a tax cut bill. The bill also cuts benefits for future Federal retirees by 4 percent.

In this one bill, my Republican colleagues have succeeded in breaking two important promises they made to the American people: not to raise taxes; and not to tamper with pensions for the elderly.

Under this bill, the 2 million people working for the Federal Government will be taxed a total of 9.5 percent of their income to pay for their retirement benefits. Contributions for those employees participating in the Civil Service Retirement System will increase by 36 percent. Contributions for employees covered by the Federal Employees Retirement System will increase by 313 percent.

If the Congress passes this bill, the average Federal employee will pay an additional $4,525 over 5 years, or an average of $905 more each year, in order to participate in the retirement program.

No one, let me repeat, no one should take any comfort in the fact that only Federal employees will be hit with this new tax. The Federal retirement program is funded through payroll withholding, just like Social Security.

If the Republican leadership thinks it is all right for Federal employees to pay 9.5 percent of their salary for retirement, may they soon not conclude that workers covered by Social Security should pay 9.5 percent of income for their benefits too?

In fact, what we may be seeing here is the Republican answer to the crisis facing our entitlement programs. If you think it costs too much for the Federal Government to make good on its commitments to the elderly, the sick, children and survivors, just raise the tax workers pay for these benefits—only, this is very important, do not call it a tax.

Even though this bill will take 9.5 percent of an employee's salary out of his or her check, in the same way income taxes are deducted, proponents claim it is not a tax.

I disagree. All the complicated arguments in the world cannot change the basic fact that 2 million Americans will have about $900 less to spend each year, as a result of this bill. Under House Rules, it should take a vote of three/fifths of the Members to pass it; but, that is not what the Rules Committee provided.

It is ironic. When I appeared on a bi-partisan panel before the Rules Committee, which was telecast by C-SPAN, none of the Members of that Committee had any trouble understanding that this was a new tax on employees and that it should not be in this bill. In fact, the Rules Committee chairman said:

> But, I have to agree with you that this is a case where we are raising taxes on some to pay for tax cuts for others and that to me is wrong. I don't believe we ought to be doing this in this bill.

Similarly, Members on both sides of the aisle of the Committee on Government Reform and Oversight emphatically rejected any attempt to raise taxes on Federal employees to pay for tax cuts. Let me repeat, the Committee of jurisdiction refused to approve the tax increase for Federal employees this bill contains.

You have to wonder, then, why are we now faced with this proposal as part of the tax bill?

Some in the majority suggest this tax increase is needed, because they claim the retirement fund is financially unstable and will soon become a huge burden on taxpayers.

This simply is not true. The Congressional Research Service of the Library of Congress recently issued a memorandum that makes it very clear, the Federal retirement system is solvent, and the issue of future liabilities has been adequately addressed in previous pension legislation.

Proponents of these changes also allege that it would restore greater balance to the Federal retirement system. However, Federal employees already contribute 28 percent of the total amount spent each year on retirement benefits. On the other hand, GAO says that 95 percent of all private sector retirement plans involve no, I repeat, no employee contribution.

Clearly, Federal workers already assume far greater financial responsibility for their retirement program than do many workers in the private sector. If this is the case, what is the justification for raising the retirement tax Federal employees must pay and for cutting their benefits?

The simple answer is that the majority needs $11 billion to help pay for their tax cut for those wealthy Americans fortunate enough to have investment earnings. There is no other answer.

Apparently, Republicans do not mind taking hard-earned dollars from middle-class Americans to pay for tax cuts they give their rich friends. But, I do, and I believe most Americans do as well.

There is nothing fair about this approach to tax reduction.

In an effort to disguise what this bill does, Chairman CLINGER has made the claim that the increased retirement contributions of Federal employees will offset tax cuts, will strengthen the federal retirement system, and will reduce the deficit—all at the same time.

This explanation defies basic common sense. Obviously, the same dollars cannot be used for three simultaneous purposes that directly conflict. Instead, this is what really happens in simple English: the increased revenues generated by the tax on Federal employees offset the reduced revenues from the tax cut. The deficit is not reduced, nor is the retirement system healthier.

The accounting trick is that although the revenues go directly into the Federal retirement trust fund under the law, what really goes into the trust fund are non-negotiable government securites—in effect, a government IOU to itself.

This allows the revenues to be scored under the Budget Act at increased receipts that are available for other purposes. The increased receipts would reduce the deficit under Budget Act accounting. However, the tax cuts in the bill offset this reduction, resulting in no reduction of the deficit.

Mr. Chairman, Congress dealt with reforms needed in the Federal retirement system in 1986. At that time, we asked Federal employees to make a final and irrevocable choice as to the retirement plan in which they would participate.

Having made that choice, Federal employees have the right to expect that the Government they have served would not change the rules in the middle of the game.

Mr. Chairman, our contract with Federal employees is every bit as binding as the Contract With America. Federal employees have fulfilled their obligations; it is now up to us to make sure the Government delivers on its commitments.

Each of my Colleagues should remember that if this tax cut bill can be used to raise taxes on Federal employees, no one is safe. Social Security and Medicaid taxes can be raised just as easily.

I urge my Colleagues to vote no on the tax bill.

Mr. PORTER. Mr. Chairman, I have never supported a tax increase, and I supported the Reagan tax cuts which came with the promise of spending cuts to follow which never materialized.

No one should believe that the Castle-Upton package is more than a fig leaf that allows Congress to rationalize cutting taxes before balancing the budget. We have seen deficit reduction packages before. Gramm Rudman promised a balanced budget by 1991, and yet it is 1995 and we have an ongoing $200 billion deficit.

No, Mr. Chairman, we have to get the priorities straight. As much as I would like to support a tax cut now, I refuse to require our children and grandchildren to pay for it by adding its $189 billion cost to the deficit.

Some argue that the tax cuts will stimulate the economy and pay for themselves. We've been down that road before, too, Mr. Chairman. Dynamic scoring may make us feel good about doing what we want to do, but is not a conservative approach. In working to reduce deficits, we should never assume things that may not come true. We should be cautious in our predictions. We should be conservative.

Mr. Speaker, I supported the rule because in signing the Contract With America I promised to bring this bill and all the others before the House for a vote during the first 100 days of this Congress. But the contract did not require us to support the legislation, nor would I have signed it if it did.

There is no ground swell for tax cuts across America. To the contrary, the American people are urging us not to cut taxes, but to cut the deficit. American business, a major beneficiary of the tax cuts, is also more anxious that we address deficit reduction.

Mr. Chairman, under previous Congresses and administrations there were always higher priorities than getting our fiscal house in order. One could argue that they were justified. But now with the end of the cold war, our huge deficits continue unabated and we have yet another higher priority than balancing the budget.

Well, I for one do not, Mr. Chairman. A young person entering the American work force today is being handed a bill for his or her share of the interest on the debt accumulated to date of $250,000 that will have to be paid throughout his or her working lifetime, money that will not be available to buy a home or educate their children or to start a business. For a college graduate the bill is $500,000 to $700,000 or more. This is unconscionable, Mr. Chairman. This is fiscal child abuse and must not be allowed to continue. Not even to cut taxes.

As much as I, as a Republican, want to vote for this tax cut package, I cannot do so. I would breach faith with my own children and grandchild. There is a higher priority—their future. For my, for this Republican, my vote must be no.

Mr. BARTLETT of Maryland. Mr. Chairman, I rise today in strong support of H.R. 1215, the Tax Fairness and Deficit Reduction Act of 1995. By passing this important legislation today, Republicans will fulfill the promises made in the Contract With America. H.R. 1215 offers something for everyone; tax relief for America's hard-working families, relief for senior citizens, and job-creating incentives for

businesses. For Maryland residents, these tax cuts mean an average reduction of $1,718 per filer. It is time for the Federal Government to stop stealing money out of the taxpayer's hands and let them keep it.

The Federal Government consumes a huge portion of the family budget. In 1948, the average American family paid only 3 percent of its income to the Federal Government. Today, the same family pays 24.5 percent of their income to Uncle Sam. It is no wonder that a majority of families have both parents working harder and longer hours, but are constantly struggling to make ends meet.

The Republican tax bill offers true tax relief for working middle-class families. Unlike the phony so-called commitment of a middle-class tax cut made by President Clinton and Vice President Gore in 1992, the Republicans are delivering on their promises. Also, let us not forget that President Clinton crammed the largest tax increase in American history down the throats of hard-working American taxpayers.

America's families deserve tax relief. H.R. 1215 allows families to keep their money by providing a $500-per-child tax credit for families with incomes below $200,000. So a family with two children under the age of 18 will reduce their taxes by $1,000. Seventy-four percent of this tax credit will go to families with incomes below $75,000 and it will eliminate the Federal income tax liability for 4.7 million families. For those couples who are caring for an elderly parent or grandparent at home, the legislation gives them a $500 tax credit. Nonworking spouses will be able to make a $2,000 tax deductible contribution to an IRA. These tax cuts truly reflect a pro-family agenda.

This bill also allows senior citizens to keep more of their Social Security benefits and not be penalized for working. We all remember President Clinton's 1993 tax increase on Social Security for seniors with incomes above $34,000 if single or $44,000 for married couples. Not one Republican in either the House or the Senate voted for this increase. Let me repeat: President Clinton raised Social Security taxes. In Maryland alone, Clinton's increase affected nearly 110,671 senior citizens.

Republicans, not the tax-and-spend Democrats, are repealing this unfair and discriminatory tax increase. No one, especially senior citizens, should be discouraged from working. Unfortunately, it was President Clinton, who in 1993 singled out and penalized one group, senior citizens, for attempting to remain financially independent.

The best way to spur economic growth and job creation is to get the Government off of the backs of business. The tax cuts in this legislation will increase economic growth, which creates more economic opportunity for every American. Our current tax code is oppressive by penalizing successful business owners, thereby eliminating any incentive to remain in business or even start one.

Mr. Chairman, I believe that there is a fundamental difference between Republicans and Democrats when it comes to investment and job creation. Republicans want all Americans to prosper by promoting jobs in the private sector, not in Government bureaucracy. Democrats view government spending as an investment, while Republicans want the taxpayers to keep their money and make their own investments.

H.R. 1215 will create unlimited economic opportunities by allowing small business to deduct the first $35,000 they invest in equipment and expanding the home office deduction. In order to protect the future economic stability of our country, we must reduce the tax burden on workers and businesses.

Out of these provisions, I believe the reduction in capital gains is the most important because it provides access to capital. In order to create jobs, people need access to capital, such as tools, equipment, and computers to increase their productivity. Capital is not magically created; business can only secure it if people save and invest. As a member of the Small Business Committee, I have listened to business owners from around the country comment on the high cost of capital and how that hinders new and existing businesses.

The current capital gains tax forces investors to hold on to their assets, thus forcing the investor not to sell the investment and reinvest the proceeds in a higher paying alternative if the capital gains taxes he would owe exceeds the expected higher return. By lowering the tax, we will free up capital for small business and entrepreneurs. This will essentially unleash the free enterprise system so it will create more jobs and improve the pay of existing jobs.

As promised in the Contract With America, House Republicans are reducing the burden of Government to empower families, create jobs, and enhance our children's future, while paying for it and at the same time, reducing the Federal deficit.

Mr. FRELINGHUYSEN. Mr. Chairman, I rise today in support of H.R. 1327, the Tax Fairness and Deficit Reduction Act of 1995. While I had my reservations about whether we could afford a tax cut this year, I am extremely satisfied with this new plan.

Since the beginning of the year, I have received over 7,000 letters and calls from constituents who almost universally sent the same message: cut spending, balance the budget, and provide tax relief. I made it my first priority and responsibility in Congress to work in that direction.

The key to my support is the added provision clearly stating that tax cuts can only become law as part of legislation that lays out our course for a balanced budget by the year 2002. Furthermore, the legislation strengthens enforcement, through limiting discretionary spending, of our promise to bring the deficit to zero in 7 years. This, Mr. Speaker, this bill strongly clarifies and holds us accountable to our commitment to balancing the Nation's budget, as well as providing tax relief to hard-working American families.

And, let's keep these tax cuts in perspective. At current rates, taxpayers will contribute to our Government coffers over the next 7 years more than $7.5 trillion. A $188 billion tax relief package is comparatively small and manageable over 5 years. Yet as the bill is now written, this will be immense relief for millions of American families.

For the State of New Jersey, nearly $8 billion will be pumped back into the economy—that's $1,803 over 5 years into the hands of working New Jerseyans.

I am also comforted by knowing that the legislation helps those who need it most: families, individuals, our elderly, and small businesses. For families, a $500-per-child tax credit relieves the burden of year-end tax liabilities. New nondeductible contributions of up to $2,000 for single filers annually and $4,000 for married couples annually will encourage greater savings.

For the elderly, it repeals the unfair tax hike passed in 1993 on Social Security benefits, and raises the earnings limit from $11,280 to $30,000 by the year 2000. The bill makes long-term care insurance more affordable and more widely available, and it clarifies and improves current law for terminally ill individuals who would not be able to use tax-free distributions for their life insurance policies to pay medical bills and living expenses.

It establishes a credit for married couples who file joint tax returns to alleviate the marriage tax penalty, and provides a $500 tax credit for families caring for a dependent elderly parent or grandparent.

Finally, individuals and small businesses will benefit and economic growth will be spurred from a 50-percent capital gains deduction for individuals, abolishing the 28-percent maximum rate on capital gains, indexing capital gains to adjust for inflation, allowing small businesses to deduct the first 35,000 dollars' worth of investment each year, and clarifies the home office deduction.

Mr. Chairman, this proposal is about fairness. This is an opportunity to help working Americans who feel that their best efforts to provide for their families are thwarted by an oppressive tax system and an uncontrolled Federal debt that threatens our children's futures.

Our goal is clear—we must bring spending under control and allow all Americans to control more of their hard-earned money. H.R. 1327 is an equitable and intelligent approach, and I urge my colleagues to pass this bill.

Mr. CUNNINGHAM. Mr. Chairman, I rise today in strong support of the Tax Fairness and Deficit Reduction Act.

This landmark legislation increases the take-home pay of American families with a $500-per-child tax credit. It removes the barriers that discourage seniors from work, and repeals the unfair Clinton taxes on seniors' Social Security. It grows the economy by reducing the job-killing tax on capital gains. And it reduces Federal government spending, reduces the size of the Federal government and actually lowers the Federal deficit by $90 billion .

For these reasons, this important legislation has been called the ''crown jewel'' of our Contract With America.

Contrast this tax cut legislation with the Clinton tax increase of 1993. Bill Clinton campaigned on a promise to cut taxes. Instead, he rammed through a Democrat-controlled Congress the largest tax increase in American history. The Clinton plan added $1 trillion to the huge Federal debt. It was enacted into law without a single Republican vote. The President failed to keep his promise. The American people replied last November by electing a new Republican Congress.

Our Contract With America included tax relief for American families. We're keeping our promise.

We're keeping our promise to allow American families to keep more of their pay. We're keeping our promise to encourage families to save for retirement, home ownership, college education or long-term health care, through new America Dream Savings Accounts. We're

keeping out promise to help American's seniors, who I prefer to call our ''chronologically gifted'' citizens, by repealing the Clinton taxes on seniors, and rolling back the unfair Social Security Earnings Test. We're keeping our promise to create jobs, by adopting a cut in the capital gains tax and other provisions to spur investment.

And we're keeping our promise to reduce the growth of Federal spending. This legislation cuts the deficit $30 billion more than President Clinton's budget.

This matter of keeping promises is common sense in America, but radical change for Washington, D.C. I am confident this legislation will have bipartisan support. But for all the promise-keeping, this legislation would not be worthwhile unless it was in best interest of our children.

For the first time in history. American families feel their children will grow up to have a lower, not a higher, standard of living. They see government taking more of their money, and controlling more of their lives. The know Federal spending is spiralling out of control. Thus, families lose hope for the real American dream, a better life for their kids. The Tax Fairness and Deficit Reduction Act represents real hope for American families. It reduces government's appetite for their money. It grows the economy and jobs. Most importantly, it leaves cash in the hands of American families that they can use in their best interests.

After all, whose money is it anyway? The Federal government does not have one dime that hasn't been taken from an American family, today or tomorrow.

I strongly urge my colleagues to support this legislation. Let's keep our promises. And let's trust American families to make the best decisions about the money they have earned.

Mr. BROWN of California. Mr. Chairman, I rise in opposition to H.R. 1215 for a number of reasons. One key reason is that this bill would dramatically reduce our investments in research and development to pay for a misguided tax cut. The bill reduces discretionary spending by $100 billion dollars over the next 5 years. We are being told that this bill will result in reductions of $2.3 billion in energy supply research, over $1.5 billion in economically important climate and weather research, over $2 billion in technology development programs within the Department of Commerce, and a whole host of other R&D and capital investments.

The profound irony here is that the stated objective is to stimulate economic growth by creating a more favorable tax climate for business through reductions in capital gains taxation and increases in depreciation for capital investments.

Mr. Chairman, countless economic studies have shown that between one fourth and one half of all economic growth is directly attributable to technology development of the type being eliminated in this bill.

A recent report from the World Economic Forum in Geneva Switzerland is useful in putting our situation in perspective. We rank well behind other competitors such as Japan, Sweden, Switzerland, and even the Czech Republic in the total R&D investment as a percent of GNP. We rank an astonishing 28th in terms of the per cent of public funding going to civilian R&D.

On the other hand, this same report shows that the U.S. ranks 33rd in all the world in terms of corporate taxes on business profits, income, and capital gains as a percent of GNP. Simply said, we already have one of the most favorable business tax environments in existence.

There is a simple principle of physics learned by all high school students that one gains maximum leverage by pushing on the long end of the fulcrum lever, not the short end. We will gain in productivity only by addressing the basic problem—underinvestment in technology and research. A more favorable tax environment will, no doubt, make some in industry happy but it will not result in any productivity gains not any long term economic growth.

Mr. Chairman, I am also voting against this measure because I believe that most of the tax cuts contained within it will simply increase our federal deficit at the wrong time. We can better help more Americans not through tax cuts at this time but by reducing the deficit, which will lead to a more secure financial future and lower interest rates.

While I am opposed to this overall bill, I am supportive of one portion, but am disappointed that the Republican leadership has attached it to the tax package and thus I am not able to vote for it separately. This positive portion of the bill would raise the Social Security Earnings Limit for senior citizens.

The bill would nearly triple the amount of outside earnings that seniors aged 65 to 69 earn before their Social Security payments are reduced. Currently, the level of income is only $11,160 annually, and seniors lose $1 in Social Security benefits for every $3 they earn in excess of $11,160. Under the bill the Social Security Earnings Limit would be raised to $30,000 by the year 2000.

I have always supported relaxing the earnings threshold and repealing this unjust tax burden on hard—working seniors. The current limit is unfair and simply does not make sense. Rather than penalizing senior citizens for working, the Government should encourage them in their efforts to be financially self-sufficient. I think it is fair to say that, for the most part, senior citizens who are working do so because they need the money.

Under current law, seniors who work to supplement their Social Security benefits are penalized, while no limits are placed on those seniors who have alternative forms of income such as private pensions or investments. This is simply not right. Seniors who work are paying taxes, putting money back into the system, and providing society with a valuable pool of experience. We should encourage seniors' participation in the work force by changing the current law that causes working seniors to lose what is sometimes more than 50% of their Social Security benefits.

However, all news is not good news for seniors. With this bill, the Government would be giving to seniors with one hand and taking from them with the other. Medicare cuts totaling $10.5 billion help pay for the Republican's tax cuts, which will go primarily to the wealthy. These cuts are another reason why I could not support the overall bill. Part of the savings derived from Medicare is achieved by limiting Medicare payments for home care. Although this may save money in one area, it will cost more in the long run by discouraging seniors from seeking less costly care in the home and driving them into hospitals or emergency rooms where care is far more expensive.

Mr. Chairman, I very much want to take action to help America's families and for that reason have been very tempted to support the proposal in this bill to provide a $500 tax credit for children. However, in thinking carefully about this provision, I have come to the conclusion that the tax credit is not the best way to help America's moderate and middle income families. A $500 tax credit for children would be very expensive and would use critical Federal revenues that could—and should—be used to reduce our Nation's budget deficit. From my studies on these matters, I am convinced that the best way and the most responsible way to help America's families—and all Americans at this time—is to reduce our budget deficit. Continued deficit reduction will lead to reduced interest rates, which in turn will save many American families well over $500 a year in reduced credit interest costs, refinanced home mortgages, and more affordable home purchases. The increased economic activity resulting from these savings to American consumers will lead to the creation of more jobs.

Mr. HEINEMAN. Mr. Chairman, I rise today in strong support of America's senior citizens. This week, we in Congress have the opportunity to give the senior citizens of this Nation some much needed tax relief.

As a senior citizen, I see the far-reaching implications of these tax relief provisions, perhaps a bit better than some of my younger colleagues do.

Two years ago, this body and the President of the United States passed the largest tax increase in history. The greatest part of that burden fell on the shoulders of those in the United States who could least afford it: Our senior citizens.

We must roll back the 1993 tax increase on Social Security benefits. It is wrong to raise taxes on our seniors who live on fixed incomes.

The 1993 tax increase targeted supposedly wealthy senior citizens who made $34,000 or more.

We must raise the limit on the amount that our seniors can earn and still remain eligible for Social Security benefits. It is wrong to target working seniors—older Americans have been the backbone of our Nation. They pay their fair share, and it is an outrage to ask them to pay anything more.

This bill is vitally important to our Nation for many reasons. But any Member of this House should find it easy to vote for this bill on the basis of fairness to our senior citizens alone.

The United States has a contract with the citizens who have made this Nation great—our senior citizens—and that contract has been breached. This Congress must pass this legislation and honor the Contract our government has with our senior citizens.

This Congress must make things right.

This Congress must act now.

I urge my colleagues to support this bill and the senior citizens of this Nation.

Mrs. FOWLER. Mr. Chairman, I rise in strong support of H.R. 1215, the Tax Fairness and Deficit Reduction Act.

For far too long the American people have been called upon to bear the costs of a federal government whose spending habits have rampaged unchecked.

In 1950, the average American family paid only two percent of its income in taxes to the federal government. Today, that figure has ballooned to 24.5 percent. Under current provisions, a family with a median income of $52,895 pays some 50.4% of its income to federal, state, and local taxes.

This is not just unconscionable. It is a short-sighted misuse of America's productive energies. Government has an important role to play in our nation in a number of areas—national security, public safety, public health, to name a few—but it is the private sector that has been the true engine for progress in our country.

The bill before us today would give greater power over economic affairs to the American people and allow for the more productive use of American capital. When coupled with welfare reform and other legislation we have passed under the Contract with America, we will reduce federal spending by some $280 billion over the next five years, providing for both tax cuts and some $90.7 billion in deficit reduction.

Most importantly, H.R. 1215 provides greater disposable income to Americans through tax credits to families, alleviation of the marriage tax penalty, repeal of the President's 1993 tax increase on Social Security recipients, a reduction in capital gains taxation, and much more. It is a package designed to unshackle America's true economic potential.

I urge my colleagues to support this measure.

Mr. GONZALEZ. Mr. Chairman, the Republican tax bill is the wrong thing to do—it gives a huge tax break to the wealthy, and little or nothing to Americans who need it most. It is the same old Republican menu, the one that makes most of us eat baloney, but guarantees filet mignon to the country club. The Republican bill robs poor people and hands the money to the rich. They claim that the rich will invest the money and give fine jobs to the poor, but there's not an honest economist in the land who believes this will happen. They claim that their bill won't make the deficit worse, but they refuse to make the tax cuts contingent on actually producing a lower deficit. The Republican bill is flatly irresponsible from a fiscal point of view, unfair in its approach and unwise in its details.

There are more than a hundred Republicans who signed a letter urging that the family tax credit be modified, in recognition that families earning more than $95,000 a year don't need a gift from the Treasury. But no, this change wasn't allowed, and those common-sense Republicans have been told to swallow their doubts and vote with the radicals.

There are other Republicans who see that the bill includes a change to Federal retirement benefits that even the chairman of the Rules Committee says is unfair. These are changes that the committee of jurisdiction could not find the votes to approve. But those Republicans have been told to swallow their conscience and vote with the radicals.

There are Republicans who think that it is silly to cut taxes and run up the deficit. They believe that any tax cut should be contingent on actually cutting the deficit. But they have been told to forget about common sense and vote with the radicals.

There are Republicans who think that it is wrong to cut school lunches in order to give wealthy families a tax break averaging $11,000 a year, which is 100 times the benefit that families earning $30,000 or less will see. But these fair-minded Republicans have been told that fairness is class warfare, and to vote with the radicals.

This bill is a catalog of the silly, the mean-spirited and the flat wrong. Fortunately, most of it will never be enacted, and the radicals know it. But they must demonstrate their power and mastery, and will do whatever they must do, break whatever promises they must, and twist whatever arms they must, to make their point: the radicals are running things, and they don't care about what is right or reasonable, what is workable or unworkable, or what is responsible or irresponsible. They merely aim to make the point that they are in control, and they will remain so as long as moderate and fair-minded Republicans are willing to swallow their pride and common sense, chloroform their consciences, and vote for this abomination. This bill is a disgrace and ought to be defeated. But that will only happen if common sense prevails, and they radicals are told that sometimes party loyalty demands too much.

Mr. PALLONE. Mr. Chairman, I rise to express my opposition to the provisions to cut pension benefits for Federal retirees and to increase pension contributions for current Federal employees that were included in H.R. 1215, the Tax Fairness and Deficit Reduction Act.

I did vote for the bill on final passage because I have pledged to my constituents to work for tax relief. But the package that we voted on tonight has a serious flaw with regard to Federal workers. While we provide tax relief to millions of Americans, we are providing 2 million middle-class Federal employees with a tax hike.

The increased pension contributions represent about a 10-percent increase for Federal workers. This bill also changes the number of years used to compute employees' annuities, from 3 years to 5 years.

Mr. Chairman, I supported the Gephardt substitute, which did not contain provisions increasing pension contributions by Federal employees or cutting pension benefits for Federal retirees. The Gephardt substitute would have provided $31.6 billion in tax cuts, offset by $32 billion in spending cuts and other savings, without punishing Federal employees and retirees.

Furthermore, the motion to recommit that we just voted on would take out the punitive hit on Federal employees while keeping intact the provisions that decrease the levels of accrual rates for Members of Congress and our staffs. In case some people are trying to score cheap political points by suggesting that this effort to protect Federal employees is motivated by the self-interest of Members of Congress. It should be clear the motion to recommit is intended to restore fairness to 2 million Federal employees, even as those of us who serve in Congress vote to reduce our own benefits.

We hear a lot of nasty and irresponsible rhetoric about faceless bureaucrats and other vicious attacks on the Federal work force. The truth is that Federal employees are hard-working middle-class taxpayers, people who care about their communities, who are devoted to their country and who want to make a decent life for themselves and their families.

Mr. Chairman, Democrats are for tax relief. Some of us crossed party lines to vote for this legislation—albeit with a heavy heart over the Federal employees and retirees provisions. I will work to have this portion of the bill stricken in the Senate or in conference between the two Houses. Then, we can begin the work of crafting a bipartisan package that will provide true tax relief to all Americans.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the amendment in the nature of a substitute consisting of the text of H.R. 1327, modified by the amendment printed in part 1 of House Report 104–100, is considered as an original bill for the purpose of amendment and is considered as having been read.

The text of the amendment in the nature of a substitute, as modified, is as follows:

H.R. 1327

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Tax Fairness and Deficit Reduction Act of 1995''.

**TITLE I—DISCRETIONARY SAVINGS**

**SEC. 1001. SHORT TITLE.**

This title may be cited as the ''Discretionary Spending Reduction and Control Act of 1995''.

**SEC. 1002. DISCRETIONARY SPENDING LIMITS.**

(a) LIMITS.—Section 601(a)(2) of the Congressional Budget Act of 1974 is amended by striking subparagraphs (A), (B), (C), (D), and (F), by redesignating subparagraph (E) as subparagraph (A) and by striking ''and'' at the end of that subparagraph, and by inserting after subparagraph (A) the following new subparagraphs:

''(B) with respect to fiscal year 1996, for the discretionary category: $502,994,000,000 in new budget authority and $537,946,000,000 in outlays;

''(C) with respect to fiscal year 1997, for the discretionary category: $497,816,000,000 in new budget authority and $531,793,000,000 in outlays;

''(D) with respect to fiscal year 1998, for the discretionary category: $489,046,000,000 in new budget authority and $523,703,000,000 in outlays;

''(E) with respect to fiscal year 1999, for the discretionary category: $491,586,000,000 in new budget authority and $522,063,000,000 in outlays; and

''(F) with respect to fiscal year 2000, for the discretionary category: $492,282,000,000 in new budget authority and $521,690,000,000 in outlays;''.

(b) COMMITTEE ALLOCATIONS AND ENFORCEMENT.—Section 602 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (c), by striking ''1995'' and inserting ''2000'' and by striking its last sentence; and

(2) in subsection (d), by striking ''1992 TO 1995'' in the side heading and inserting ''1995 TO 2000'' and by striking ''1992 through 1995'' and inserting ''1995 through 2000''.

(c) FIVE-YEAR BUDGET RESOLUTIONS.—Section 606 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (a), by striking ''1992, 1993, 1994, or 1995'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000''; and

(2) in subsection (d)(1), by striking ''1992, 1993, 1994, and 1995'' and inserting ''1995, 1996, 1997, 1998, 1999, and 2000'', and by striking ''(i) and (ii)''.

(d) EFFECTIVE DATE.—Section 607 of the Congressional Budget Act of 1974 is amended by striking ''1991 to 1998'' and inserting ''1995 to 2000''.

(e) SEQUESTRATION REGARDING CRIME TRUST FUND.—(1) Section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking subparagraphs (B), (C), and (D) and its last two sentences and inserting the following:

''(B) For fiscal year 1996, $1,827,000,000.

''(C) For fiscal year 1997, $3,082,000,000.

''(D) For fiscal year 1998, $3,840,000,000.

''(E) For fiscal year 1999, $4,415,000,000.

''(F) For fiscal year 2000, $4,874,000,000.

''The appropriate levels of new budget authority are as follows: for fiscal year 1996, $3,357,000,000; for fiscal year 1997, $3,915,000,000; for fiscal year 1998, $4,306,000,000; for fiscal year 1999, $5,089,000,000; and for fiscal year 2000, $5,089,000,000.''.

(2) The last two sentences of section 310002 of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14212) are repealed.

**SEC. 1003. GENERAL STATEMENT AND DEFINITIONS.**

(a) GENERAL STATEMENT.—Section 250(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the first sentence and inserting the following: ''This part provides for the enforcement of deficit reduction through discretionary spending limits and pay-as-you-go requirements for fiscal years 1995 through 2000.''.

(b) DEFINITIONS.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking paragraph (4) and inserting the following:

''(4) The term 'category' means all discretionary appropriations.'';

(2) by striking paragraph (6) and inserting the following:

''(6) The term 'budgetary resources' means new budget authority, unobligated balances, direct spending authority, and obligation limitations.'';

(3) in paragraph (9), by striking ''1992'' and inserting ''1995'';

(4) in paragraph (14), by striking ''1995'' and inserting ''2000''; and

(5) by striking paragraph (17) and by redesignating paragraphs (18) through (21) as paragraphs (17) through (20), respectively.

**SEC. 1004. ENFORCING DISCRETIONARY SPENDING LIMITS.**

Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking ''1991–1998'' and inserting ''1995–2000'';

(2) in the first sentence of subsection (b)(1), by striking ''1992, 1993, 1994, 1995, 1996, 1997 or 1998'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000'' and by striking ''through 1998'' and inserting ''through 2000'';

(3) in subsection (b)(1), by striking subparagraphs (B) and (C) and by striking ''the following:'' and all that follows through ''The adjustments'' and inserting ''the following: the adjustments'';

(4) in subsection (b)(2), by striking ''1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000'' and by striking ''through 1998'' and inserting ''through 2000'';

(5) by striking subparagraphs (A), (B), and (C) of subsection (b)(2);

(6) in subsection (b)(2)(E), by striking clauses (i), (ii), and (iii) and by striking ''(iv) if, for fiscal years 1994, 1995, 1996, 1997, and 1998'' and inserting ''If, for fiscal years 1995, 1996, 1997, 1998, 1999, and 2000''; and

(7) in subsection (b)(2)(F), strike everything after ''the adjustment in outlays'' and insert ''for a category for a fiscal year shall not exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1996, 1997, 1998, 1999, or 2000.''.

**SEC. 1005. ENFORCING PAY-AS-YOU-GO.**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking ''1992–1998'' and inserting ''1995–2000'';

(2) in subsection (d), by striking ''1998'' each place it appears and inserting ''2000''; and

(3) in subsection (e), by striking ''1991 through 1998'' and inserting ''1995 through 2000'' and by striking ''through 1995'' and inserting ''through 2000''.

**SEC. 1006. REPORTS AND ORDERS.**

Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (d)(2), by striking ''1998'' and inserting ''2000''; and

(2) in subsection (g), by striking ''1998'' each place it appears and inserting ''2000''.

**SEC. 1007. TECHNICAL CORRECTION.**

Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled ''Modification of Presidential Order'', is repealed.

**SEC. 1008. EFFECTIVE DATE.**

(a) EXPIRATION.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking ''1995'' and inserting ''2000''.

(b) EXPIRATION.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note; 2 U.S.C. 665 note) is repealed.

**SEC. 1009. SPECIAL RULE ON INTERRELATIONSHIP BETWEEN CHANGES IN DISCRETIONARY SPENDING LIMITS AND PAY-AS-YOU-GO REQUIREMENTS.**

(a)(1) Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new subsection:

''(f) SPECIAL RULE ON INTERRELATIONSHIP BETWEEN SECTIONS 251, 251A, and 252.—Whenever the Committee on the Budget of the House of Representatives or the Senate reports legislation that decreases the discretionary spending limits for budget authority and outlays for a fiscal year set forth in section 601(a)(2) of the Congressional Budget Act of 1974 or in section 251A(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or both, then, for purposes of subsection (b), an amount equal to that decrease in the discretionary spending limit for outlays shall be treated as direct spending legislation decreasing the deficit for that fiscal year.''.

(2) Section 310(a) of the Congressional Budget Act of 1974 is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5) and by striking ''and (3)'' in such redesignated paragraph (5) and inserting ''(3), and (4)'', and by inserting after paragraph (3) the following new paragraph:

''(4) carry out section 252(f) of the Balanced Budget and Emergency Deficit Control Act of 1985; or''.

(b) For purposes of section 252(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by subsection (a)(1))—

(1) this Act shall be deemed to be legislation reported by the Committee on the Budget of the House of Representatives; and

(2)(A) reductions in the discretionary spending limit for outlays set forth in section 601(a)(2) of the Congressional Budget Act of 1974 for fiscal years 1999 and 2000 under section 1002 shall be measured as reductions from the discretionary spending limit for outlays for fiscal year 1998 as in effect immediately before the enactment of this Act; and

(B) reductions in the discretionary spending limit for outlays set forth in section 251A(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 for fiscal years 1999 and 2000 under section 1002 shall be measured as reductions from the level for outlays for fiscal year 1999 and 2000, as the case may be, referred to in the last two sentences of section 251A(b)(1) as in effect immediately before the enactment of this Act.

(c) In the final sequestration report of the Director of the Office of Management and Budget for fiscal year 1996—

(1) all adjustments required by section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 made after the sequestration preview report for fiscal year 1996 shall be made to the discretionary spending limits set forth in 601(a)(2) of the Congressional Budget Act of 1974 as amended by section 1002; and

(2) all statutory changes in the discretionary spending limits set forth in 601(a)(2) of the Congressional Budget Act of 1974 made after issuance of the sequestration preview report for fiscal year 1996 of the Director of the Office of Management and Budget and before the date of enactment of this Act shall be made to those limits as amended by section 1002.

## TITLE II—EXTENSION OF AUTHORITY OF FEDERAL COMMUNICATIONS COMMISSION TO USE COMPETITIVE BIDDING

**SEC. 2001. EXTENSION OF AUTHORITY.**

Section 309(j)(11) of the Communications Act of 1934 (47 U.S.C. 309(j)(11)) is amended by striking ''September 30, 1998'' and inserting ''September 30, 2000''.

## TITLE III—PRIVATIZATION OF THE UNITED STATES ENRICHMENT CORPORATION

**SEC. 3001. SHORT TITLE AND REFERENCE.**

(a) SHORT TITLE.—This title may be cited as the ''USEC Privatization Act''.

(b) REFERENCE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.).

**SEC. 3002. PRODUCTION FACILITY.**

Paragraph v. of section 11 (42 U.S.C. 2014 v.) is amended by striking ''or the construction and operation of a uranium enrichment production facility using Atomic Vapor Laser Isotope Separation technology''.

**SEC. 3003. DEFINITIONS.**

Section 1201 (42 U.S.C. 2297) is amended—

(1) in paragraph (4), by inserting before the period the following: ''and any successor corporation established through privatization of the Corporation'';

(2) by redesignating paragraphs (10) through (13) as paragraphs (14) through (17), respectively, and by inserting after paragraph (9) the following new paragraphs:

''(10) The term 'low-level radioactive waste' has the meaning given such term in section 102(9) of the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. 2021b(9)).

''(11) The term 'mixed waste' has the meaning given such term in section 1004(41) of the Solid Waste Disposal Act (42 U.S.C. 6903(41)).

''(12) The term 'privatization' means the transfer of ownership of the Corporation to private investors pursuant to chapter 25.

''(13) The term 'privatization date' means the date on which 100 percent of ownership of the Corporation has been transferred to private investors.'';

(3) by inserting after paragraph (17) (as redesignated) the following new paragraph:

''(18) The term 'transition date' means July 1, 1993.''; and

(4) by redesignating the unredesignated paragraph (14) as paragraph (19).

**SEC. 3004. EMPLOYEES OF THE CORPORATION.**

(a) PARAGRAPH (2).—Paragraphs (1) and (2) of section 1305(e) (42 U.S.C. 2297b–4(e)(1)(2)) are amended to read as follows:

''(1) IN GENERAL.—It is the purpose of this subsection to ensure that the privatization of the Corporation shall not result in any adverse effects on the pension benefits of employees at facilities that are operated, directly or under contract, in the performance of the functions vested in the Corporation.

''(2) APPLICABILITY OF EXISTING COLLECTIVE BARGAINING AGREEMENT.—The Corporation shall abide by the terms of the collective bargaining agreement in effect on the privatization date at each individual facility.''.

(b) PARAGRAPH (4).—Paragraph (4) of section 1305(e) (42 U.S.C. 2297b–4(e)(4)) is amended—

(1) by striking ''AND DETAILEES'' in the heading;

(2) by striking the first sentence;

(3) in the second sentence, by inserting ''from other Federal employment'' after ''transfer to the Corporation''; and

(4) by striking the last sentence.

**SEC. 3005. MARKETING AND CONTRACTING AUTHORITY.**

(a) MARKETING AUTHORITY.—Section 1401(a) (42 U.S.C. 2297c(a)) is amended effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954)—

(1) by amending the subsection heading to read ''MARKETING AUTHORITY.—''; and

(2) by striking the first sentence.

(b) TRANSFER OF CONTRACTS.—Section 1401(b) (42 U.S.C. 2297c(b)) is amended—

(1) in paragraph (2)(B), by adding at the end the following: ''The privatization of the Corporation shall not affect the terms of, or the rights or obligations of the parties to, any such power purchase contract.''; and

(2) by adding at the end the following:

''(3) EFFECT OF TRANSFER.—

''(A) As a result of the transfer pursuant to paragraph (1), all rights, privileges, and benefits under such contracts, agreements, and leases, including the right to amend, modify, extend, revise, or terminate any of such contracts, agreements, or leases were irrevocably assigned to the Corporation for its exclusive benefit.

''(B) Notwithstanding the transfer pursuant to paragraph (1), the United States shall remain obligated to the parties to the contracts, agreements, and leases transferred pursuant to paragraph (1) for the performance of the obligations of the United States thereunder during the term thereof. The Corporation shall reimburse the United States for any amount paid by the United States in respect of such obligations arising after the privatization date to the extent such amount is a legal and valid obligation of the Corporation then due.

''(C) After the privatization date, upon any material amendment, modification, extension, revision, replacement, or termination of any contract, agreement, or lease transferred under paragraph (1), the United States shall be released from further obligation under such contract, agreement, or lease, except that such action shall not release the United States from obligations arising under such contract, agreement, or lease prior to such time.''.

(c) PRICING.—Section 1402 (42 U.S.C. 2297c–1) is amended to read as follows:

**''SEC. 1402. PRICING.**

''The Corporation shall establish prices for its products, materials, and services provided to customers on a basis that will allow it to attain the normal business objectives of a profitmaking corporation.''.

(d) LEASING OF GASEOUS DIFFUSION FACILITIES OF DEPARTMENT.—Effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), section 1403 (42 U.S.C. 2297c–2) is amended by adding at the end the following:

''(h) LOW-LEVEL RADIOACTIVE WASTE AND MIXED WASTE.—

''(1) RESPONSIBILITY OF THE DEPARTMENT; COSTS.—

''(A) With respect to low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) or as a result of treatment of such wastes at a location other than the facilities and related property leased by the Corporation pursuant to subsection (a) the Department, at the request of the Corporation, shall—

''(i) accept for treatment or disposal of all such wastes for which treatment or disposal technologies and capacities exist, whether within the Department or elsewhere; and

''(ii) accept for storage (or ultimately treatment or disposal) all such wastes for which treatment and disposal technologies or capacities do not exist, pending development of such technologies or availability of such capacities for such wastes.

''(B) All low-level wastes and mixed wastes that the Department accepts for treatment, storage, or disposal pursuant to subparagraph (A) shall, for the purpose of any permits, licenses, authorizations, agreements, or orders involving the Department and other Federal agencies or State or local governments, be deemed to be generated by the Department and the Department shall handle such wastes in accordance with any such permits, licenses, authorizations, agreements, or orders. The Department shall obtain any additional permits, licenses, or authorizations necessary to handle such wastes, shall amend any such agreements or orders as necessary to handle such wastes, and shall handle such wastes in accordance therewith.

''(C) The Corporation shall reimburse the Department for the treatment, storage, or disposal of low-level radioactive waste or mixed waste pursuant to subparagraph (A) in an amount equal to the Department's costs but in no event greater than an amount equal to that which would be charged by commercial, State, regional, or interstate compact entities for treatment, storage, or disposal of such waste.

''(2) AGREEMENTS WITH OTHER PERSONS.—The Corporation may also enter into agreements for the treatment, storage, or disposal of low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) with any person other than the Department that is authorized by applicable laws and regulations to treat, store, or dispose of such wastes.''.

(e) LIABILITIES.—

(1) Subsection (a) of section 1406 (42 U.S.C. 2297c–5(a)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by adding at the end the following: ''As of the privatization date, all liabilities attributable to the operation of the Corporation from the transition date to the privatization date shall be direct liabilities of the United States.''.

(2) Subsection (b) of section 1406 (42 U.S.C. 2297c–5(b)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by adding at the end the following: ''As of the privatization date, any judgment entered against the Corporation imposing liability arising out of the operation of the Corporation from the transition date to the privatization date shall be considered a judgment against the United States.''.

(3) Subsection (d) of section 1406 (42 U.S.C. 2297c–5(d)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by striking ''the transition date'' and inserting ''the privatization date (or, in the event the privatization date does not occur, the transition date)''.

(f) TRANSFER OF URANIUM.—Title II (42 U.S.C. 2297 et seq.) is amended by redesignating section 1408 as section 1409 and by inserting after section 1407 the following:

**''SEC. 1408. TRANSFER OF URANIUM.**

''The Secretary may, before the privatization date, transfer to the Corporation without charge raw uranium, low-enriched uranium, and highly enriched uranium.''.

**SEC. 3006. PRIVATIZATION OF THE CORPORATION.**

(a) ESTABLISHMENT OF PRIVATE CORPORATION.—Chapter 25 (42 U.S.C. 2297d et seq.) is amended by adding at the end the following new section:

**''SEC. 1503. ESTABLISHMENT OF PRIVATE CORPORATION.**

''(a) ESTABLISHMENT.—

''(1) IN GENERAL.—In order to facilitate privatization, the Corporation may provide for the establishment of a private corporation organized under the laws of any of the several States. Such corporation shall have among its purposes the following:

''(A) To help maintain a reliable and economical domestic source of uranium enrichment services.

''(B) To undertake any and all activities as provided in its corporate charter.

''(2) AUTHORITIES.—The corporation established pursuant to paragraph (1) shall be authorized to—

''(A) enrich uranium, provide for uranium to be enriched by others, or acquire enriched uranium (including low-enriched uranium derived from highly enriched uranium);

''(B) conduct, or provide for conducting, those research and development activities related to uranium enrichment and related processes and activities the corporation considers necessary or advisable to maintain itself as a commercial enterprise operating on a profitable and efficient basis;

''(C) enter into transactions regarding uranium, enriched uranium, or depleted uranium with—

''(i) persons licensed under section 53, 63, 103, or 104 in accordance with the licenses held by those persons;

''(ii) persons in accordance with, and within the period of, an agreement for cooperation arranged under section 123; or

''(iii) persons otherwise authorized by law to enter into such transactions;

''(D) enter into contracts with persons licensed under section 53, 63, 103, or 104, for as long as the corporation considers necessary or desirable, to provide uranium or uranium enrichment and related services;

''(E) enter into contracts to provide uranium or uranium enrichment and related services in accordance with, and within the period of, an agreement for cooperation arranged under section 123 or as otherwise authorized by law; and

''(F) take any and all such other actions as are permitted by the law of the jurisdiction of incorporation of the corporation.

''(3) TRANSFER OF ASSETS.—For purposes of implementing the privatization, the Corporation may transfer some or all of its assets and obligations to the corporation established pursuant to this section, including—

''(A) all of the Corporation's assets, including all contracts, agreements, and leases, including all uranium enrichment contracts and power purchase contracts;

''(B) all funds in accounts of the Corporation held by the Treasury or on deposit with any bank or other financial institution;

''(C) all of the Corporation's rights, duties, and obligations, accruing subsequent to the privatization date, under the power purchase contracts covered by section 1401(b)(2)(B); and

''(D) all of the Corporation's rights, duties, and obligations, accruing subsequent to the privatization date, under the lease agreement between the Department and the Corporation executed by the Department and the Corporation pursuant to section 1403.

''(4) MERGER OR CONSOLIDATION.—For purposes of implementing the privatization, the Corporation may merge or consolidate with the corporation established pursuant to subsection (a)(1) if such action is contemplated by the plan for privatization approved by the President under section 1502(b). The Board shall have exclusive authority to approve such merger or consolidation and to take all further actions necessary to consummate such merger or consolidation, and no action by or in respect of shareholders shall be required. The merger or consolidation shall be effected in accordance with, and have the effects of a merger or consolidation under, the laws of the jurisdiction of incorporation of the surviving corporation, and all rights and benefits provided under this title to the Corporation shall apply to the surviving corporation as if it were the Corporation.

''(b) OSHA REQUIREMENTS.—For purposes of the regulation of radiological and nonradiological hazards under the Occupational Safety and Health Act of 1970, the corporation established pursuant to subsection (a)(1) shall be treated in the same manner as other employers licensed by the Nuclear Regulatory Commission. Any interagency agreement entered into between the Nuclear Regulatory Commission and the Occupational Safety and Health Administration governing the scope of their respective regulatory authorities shall apply to the corporation as if the corporation were a Nuclear Regulatory Commission licensee.

''(c) LEGAL STATUS OF PRIVATE CORPORATION.—

''(1) NOT FEDERAL AGENCY.—The corporation established pursuant to subsection (a)(1) shall not be an agency, instrumentality, or establishment of the United States Government and shall not be a Government corporation or Government-controlled corporation.

''(2) NO RECOURSE AGAINST UNITED STATES.—Obligations of the corporation established pursuant to subsection (a)(1) shall not be obligations of, or guaranteed as to principal or interest by, the Corporation or the United States, and the obligations shall so plainly state.

''(3) NO CLAIMS COURT JURISDICTION.—No action under section 1491 of title 28, United States Code, shall be allowable against the United States based on the actions of the corporation established pursuant to subsection (a)(1).

''(d) BOARD OF DIRECTOR'S ELECTION AFTER PUBLIC OFFERING.—In the event that the privatization is implemented by means of a public offering, an election of the members of the board of directors of the Corporation by the shareholders shall be conducted before the end of the 1-year period beginning the date shares are first offered to the public pursuant to such public offering.

''(e) ADEQUATE PROCEEDS.—The Secretary of Energy shall not allow the privatization of the Corporation unless before the sale date the Secretary determines that the estimated sum of the gross proceeds from the sale of the Corporation will be an adequate amount.''.

(b) OWNERSHIP LIMITATIONS.—Chapter 25 (as amended by subsection (a)) is amended by adding at the end the following new section:

**''SEC. 1504. OWNERSHIP LIMITATIONS.**

''(a) SECURITIES LIMITATION.—In the event that the privatization is implemented by means of a public offering, during a period of 3 years beginning on the privatization date, no person, directly or indirectly, may acquire or hold securities representing more than 10 percent of the total votes of all outstanding voting securities of the Corporation.

''(b) APPLICATION.—Subsection (a) shall not apply—

''(1) to any employee stock ownership plan of the Corporation,

''(2) to underwriting syndicates holding shares for resale, or

''(3) in the case of shares beneficially held for others, to commercial banks, broker-dealers, clearing corporations, or other nominees.

''(c) No director, officer, or employee of the Corporation may acquire any securities, or any right to acquire securities, of the Corporation—

''(1) in the public offering of securities of the Corporation in the implementation of the privatization,

''(2) pursuant to any agreement, arrangement, or understanding entered into before the privatization date, or

''(3) before the election of directors of the Corporation under section 1503(d) on any terms more favorable than those offered to the general public.''.

(c) EXEMPTION FROM LIABILITY.—Chapter 25 (as amended by subsection (b)) is amended by adding at the end the following new section:

**''SEC. 1505. EXEMPTION FROM LIABILITY.**

''(a) IN GENERAL.—No director, officer, employee, or agent of the Corporation shall be liable, for money damages or otherwise, to any party if, with respect to the subject matter of the action, suit, or proceeding, such person was fulfilling a duty, in connection with any action taken in connection with the privatization, which such person in good faith reasonably believed to be required by law or vested in such person.

''(b) EXCEPTION.—The privatization shall be subject to the Securities Act of 1933 and the Securities Exchange Act of 1934. The exemption set forth in subsection (a) shall not apply to claims arising under such Acts or under the Constitution or laws of any State, territory, or possession of the United States relating to transactions in securities, which claims are in connection with a public offering implementing the privatization.''.

(d) RESOLUTION OF CERTAIN ISSUES.—Chapter 25 (as amended by subsection (c)) is amended by adding at the end the following new section:

**''SEC. 1506. RESOLUTION OF CERTAIN ISSUES.**

''(a) CORPORATION ACTIONS.—Notwithstanding any provision of any agreement to which the Corporation is a party, the Corporation shall not be considered to be in breach, default, or violation of any such agreement because of any provision of this chapter or any action the Corporation is required to take under this chapter.

''(b) RIGHT TO SUE WITHDRAWN.—The United States hereby withdraws any stated or implied consent for the United States, or any agent or officer of the United States, to be sued by any person for any legal, equitable, or other relief with respect to any claim arising out of, or resulting from, acts or omissions under this chapter.''.

(e) APPLICATION OF PRIVATIZATION PROCEEDS.—Chapter 25 (as amended by subsection (d)) is amended by adding at the end the following new section:

**''SEC. 1507. APPLICATION OF PRIVATIZATION PROCEEDS.**

''The proceeds from the privatization shall be included in the budget baseline required by the Balanced Budget and Emergency Deficit Control Act of 1985 and shall be counted as an offset to direct spending for purposes of section 252 of such Act, notwithstanding section 257(e) of such Act.''.

(f) CONFORMING AMENDMENT.—The table of contents for chapter 25 is amended by inserting after the item for section 1502 the following:

''Sec. 1503. Establishment of Private Corporation.
''Sec. 1504. Ownership Limitations.
''Sec. 1505. Exemption from Liability.
''Sec. 1506. Resolution of Certain Issues.
''Sec. 1507. Application of Privatization Proceeds.''.

(g) Section 193 (42 U.S.C. 2243) is amended by adding at the end the following:

''(f) LIMITATION.—If the privatization of the United States Enrichment Corporation results in the Corporation being—

''(1) owned, controlled, or dominated by a foreign corporation or a foreign government, or

''(2) otherwise inimical to the common defense or security of the United States,

any license held by the Corporation under sections 53 and 63 shall be terminated.''.

(h) PERIOD FOR CONGRESSIONAL REVIEW.—Section 1502(d) (42 U.S.C. 2297d–1(d)) is amended by striking ''less than 60 days after notification of the Congress'' and inserting ''less than 60 days after the date of the report to Congress by the Comptroller General under subsection (c)''.

**SEC. 3007. PERIODIC CERTIFICATION OF COMPLIANCE.**

Section 1701(c)(2) (42 U.S.C. 2297f(c)(2)) is amended by striking ''ANNUAL APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply at least annually to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1).'' and inserting ''PERIODIC APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1) periodically, as determined by the Nuclear Regulatory Commission, but not less than every 5 years.''.

**SEC. 3008. LICENSING OF OTHER TECHNOLOGIES.**

Subsection (a) of section 1702 (42 U.S.C. 2297f–1(a)) is amended by striking ''other than'' and inserting ''including''.

**SEC. 3009. CONFORMING AMENDMENTS.**

(a) REPEALS IN ATOMIC ENERGY ACT OF 1954 AS OF THE PRIVATIZATION DATE.—

(1) REPEALS.—As of the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), the following sections (as in effect on such privatization date) of the Atomic Energy Act of 1954 are repealed:

(A) Section 1202.
(B) Sections 1301 through 1304.
(C) Sections 1306 through 1316.
(D) Sections 1404 and 1405.
(E) Section 1601.
(F) Sections 1603 through 1607.

(2) CONFORMING AMENDMENT.—The table of contents of such Act is amended by repealing the items referring to sections repealed by paragraph (1).

(b) STATUTORY MODIFICATIONS.—As of such privatization date, the following shall take effect:

(1) For purposes of title I of the Atomic Energy Act of 1954, all references in such Act to the ''United States Enrichment Corporation'' shall be deemed to be references to the corporation established pursuant to section 1503 of the Atomic Energy Act of 1954 (as added by section 6(a)).

(2) Section 1018(1) of the Energy Policy Act of 1992 (42 U.S.C. 2296b–7(1)) is amended by striking ''the United States'' and all that follows through the period and inserting ''the corporation referred to in section 1201(4) of the Atomic Energy Act of 1954.''.

(3) Section 9101(3) of title 31, United States Code, is amended by striking subparagraph (N), as added by section 902(b) of Public Law 102–486.

(c) REVISION OF SECTION 1305.—As of such privatization date, section 1305 of the Atomic Energy Act of 1954 (42 U.S.C 2297b–4) is amended—

(1) by repealing subsections (a), (b), (c), and (d), and

(2) in subsection (e)—

(A) by striking the subsection designation and heading,

(B) by redesignating paragraphs (1) and (2) (as added by section 4(a)) as subsections (a) and (b) and by moving the margins 2-ems to the left,

(C) by striking paragraph (3), and

(D) by redesignating paragraph (4) (as amended by section 4(b)) as subsection (c), and by moving the margins 2-ems to the left.

## TITLE IV—RETIREMENT

### SEC. 4001. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the ''Congressional and Federal Employee Retirement Equalization Act''.

(b) TABLE OF CONTENTS.—The table of contents for this title is as follows:

Sec. 4001. Short title; table of contents.
Sec. 4002. Amendment of title 5, United States Code.
Sec. 4003. Individual contributions.
Sec. 4004. Average pay.
Sec. 4005. Accrual rates.
Sec. 4006. Elimination of Members' option to elect not to participate in FERS.

### SEC. 4002. AMENDMENT OF TITLE 5, UNITED STATES CODE.

Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 5, United States Code.

### SEC. 4003. INDIVIDUAL CONTRIBUTIONS.

(a) CSRS.—

(1) IN GENERAL.—The table under section 8334(c) is amended—

(A) in the matter relating to an employee by striking

''7 ..... After December 31, 1969.''

and inserting the following:

''7 ..... January 1, 1970, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.'';

(B) in the matter relating to a Member or employee for Congressional employee service by striking

''7½ ..... After December 31, 1969.''

and inserting the following:

''7½ ..... January 1, 1970, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.'';

(C) in the matter relating to a Member for Member service by striking

''8 ..... After December 31, 1969.''

and inserting the following:

''8 ..... January 1, 1970, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.'';

(D) in the matter relating to a law enforcement officer for law enforcement service and firefighter for firefighter service by striking

''7½ ..... After December 31, 1974.''

and inserting the following:

''7½ ..... January 1, 1975, to December 31, 1995.
''9 ..... January 1, 1996, to December 31, 1996.
''9½ ..... January 1, 1997, to December 31, 1997.
''10 ..... After December 31, 1997.'';

(E) in the matter relating to a bankruptcy judge by striking

''8 ..... After December 31, 1983.''

and inserting the following:

''8 ..... January 1, 1984, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.'';

(F) in the matter relating to a judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court by striking

''8 ..... On and after the date of the enactment of the Department of Defense Authorization Act, 1984.''

and inserting the following:

''8 ..... The date of the enactment of the Department of Defense Authorization Act, 1984, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.'';

(G) in the matter relating to a United States magistrate by striking

''8 ..... After September 30, 1987.''

and inserting the following:

''8 ..... October 1, 1987, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.''; and

(H) in the matter relating to a Claims Court judge by striking

''8 ..... After September 30, 1988.''

and inserting the following:

''8 ..... October 1, 1988, to December 31, 1995.
''8½ ..... January 1, 1996, to December 31, 1996.
''9 ..... January 1, 1997, to December 31, 1997.
''9½ ..... After December 31, 1997.''.

(2) DEDUCTIONS.—The first sentence of section 8334(a)(1) is amended to read as follows: ''The employing agency shall deduct and withhold from the basic pay of an employee, Member, Congressional employee, law enforcement officer, firefighter, bankruptcy judge, judge of the United States Court of Appeals for the Armed Forces, United States magistrate, or Claims Court judge, as the case may be, the percentage of basic pay applicable under subsection (c).''.

(3) GOVERNMENT CONTRIBUTIONS.—

(A) IN GENERAL.—Section 8334(a) is amended by adding at the end the following:

''(3) The amount to be contributed under the second sentence of paragraph (1) with respect to any service period occurring during any calendar year after 1995 shall be determined as if the percentage then applicable under subsection (c) were the percentage that was applicable for calendar year 1995 plus 3 percent.''.

(B) TECHNICAL AMENDMENT.—The second sentence of section 8334(a)(1) is amended by

striking the period at the end and inserting ‘‘, subject to paragraph (3).’’.

(4) OTHER SERVICE.—

(A) MILITARY SERVICE.—Section 8334(j) is amended—

(i) in paragraph (1)(A) by inserting ‘‘and subject to paragraph (5),’’ after ‘‘Except as provided in subparagraph (B),’’; and

(ii) by adding at the end the following:

‘‘(5) Effective with respect to any period of military service after December 31, 1995, the percentage of basic pay under section 204 of title 37 payable under paragraph (1) shall be equal to the same percentage as would be applicable under section 8334(c) for that same period for service as an ‘employee’, subject to paragraph (1)(B).’’.

(B) VOLUNTEER SERVICE.—Section 8334(l) is amended—

(i) in paragraph (1) by striking the period at the end and inserting ‘‘, subject to paragraph (4).’’; and

(ii) by adding at the end the following:

‘‘(4) Effective with respect to any period of service after December 31, 1995, the percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1) shall be equal to the same percentage as would be applicable under section 8334(c) for that same period for service as an ‘employee’.’’.

(b) FERS.—

(1) IN GENERAL.—Section 8422(a) is amended by striking paragraph (2) and inserting the following:

‘‘(2) The percentage to be deducted and withheld from basic pay for any pay period shall be equal to—

‘‘(A) the applicable percentage under paragraph (3), minus

‘‘(B) the percentage then in effect under section 3101(a) of the Internal Revenue Code of 1986 (relating to rate of tax for old-age, survivors, and disability insurance).

‘‘(3) The applicable percentage under this paragraph, for civilian service after December 31, 1995, shall be as follows:

| | Percentage of basic pay | Service period |
|---|---|---|
| ‘‘Employee | 8½ | January 1, 1996, to December 31, 1996. |
| | ‘‘9 | January 1, 1997, to December 31, 1997. |
| | ‘‘9½ | After December 31, 1997. |
| ‘‘Congressional employee | 8½ | January 1, 1996, to December 31, 1996. |
| | ‘‘9 | January 1, 1997, to December 31, 1997. |
| | ‘‘9½ | After December 31, 1997. |
| ‘‘Member | 8½ | January 1, 1996, to December 31, 1996. |
| | ‘‘9 | January 1, 1997, to December 31, 1997. |
| | ‘‘9½ | After December 31, 1997. |
| ‘‘Law enforcement officer | 9 | January 1, 1996, to December 31, 1996. |
| | ‘‘9½ | January 1, 1997, to December 31, 1997. |
| | ‘‘10 | After December 31, 1997. |
| ‘‘Firefighter | 9 | January 1, 1996, to December 31, 1996. |
| | ‘‘9½ | January 1, 1997, to December 31, 1997. |
| | ‘‘10 | After December 31, 1997. |
| ‘‘Air traffic controller | 9 | January 1, 1996, to December 31, 1996. |
| | ‘‘9½ | January 1, 1997, to December 31, 1997. |
| | ‘‘10 | After December 31, 1997.’’. |

(2) OTHER SERVICE.—

(A) MILITARY SERVICE.—Section 8422(e) is amended—

(i) in paragraph (1)(A) by inserting ‘‘and subject to paragraph (6),’’ after ‘‘Except as provided in subparagraph (B),’’; and

(ii) by adding at the end the following:

‘‘(6) Effective with respect to any period of military service after December 31, 1995, the percentage of basic pay under section 204 of title 37 payable under paragraph (1) shall be equal to the same percentage as would be applicable under section 8422(a)(3) for that same period for service as an ‘employee’, subject to paragraph (1)(B).’’.

(B) VOLUNTEER SERVICE.—Section 8422(f) is amended—

(i) in paragraph (1) by striking the period at the end and inserting ‘‘, subject to paragraph (4).’’; and

(ii) by adding at the end the following:

‘‘(4) Effective with respect to any period of service after December 31, 1995, the percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1) shall be equal to the same percentage as would be applicable under section 8422(a)(3) for that same period for service as an employee.’’.

(c) EXEMPTION.—

(1) IN GENERAL.—Section 1005(d) of title 39, United States Code, is amended by adding at the end the following:

‘‘(3) For purposes of applying chapters 83 and 84 of title 5 with respect to any officer or employee of the Postal Service, section 4003 of the Congressional and Federal Employee Retirement Equalization Act shall be treated as if it had not been enacted.’’.

(2) TECHNICAL AMENDMENT.—The second sentence of section 1005(d)(1) of title 39, United States Code, is amended by striking the period and inserting ‘‘, subject to paragraph (3).’’.

(d) EFFECTIVE DATE.—This section shall take effect on January 1, 1996.

**SEC. 4004. AVERAGE PAY.**

(a) CSRS.—

(1) IN GENERAL.—Subchapter III of chapter 83 is amended by inserting after section 8339 the following:

**‘‘§ 8339a. Special rules relating to average pay**

‘‘(a) Notwithstanding section 8331(4), for purposes of computing any annuity or survivor annuity under this subchapter, eligibility for which is based on a separation occurring after December 31, 1995, ‘average pay’ shall, if the separation occurs—

‘‘(1) during calendar year 1996, have the meaning given such term by subsection (b)(1); or

‘‘(2) after calendar year 1996, have the meaning given such term by subsection (b)(2).

‘‘(b) For purposes of this section—

‘‘(1) the meaning given the term ‘average pay’ by this paragraph shall be the meaning such term would have under section 8331(4) if ‘4 consecutive years’ were substituted for ‘3 consecutive years’ and ‘4 years’ were substituted for ‘3 years’; and

‘‘(2) the meaning given the term ‘average pay’ by this paragraph shall be the meaning such term would have under section 8331(4) if ‘5 consecutive years’ were substituted for ‘3 consecutive years’ and ‘5 years’ were substituted for ‘3 years’.

‘‘(c) Nothing in this section shall be considered to apply with respect to any annuity or survivor annuity eligibility for which is based on a separation occurring before January 1, 1996.

‘‘(d) The Office of Personnel Management shall prescribe such regulations as may be necessary to carry out this section.’’.

(2) TECHNICAL AMENDMENTS.—

(A) Section 8331(4) is amended by striking ‘‘effect;’’ and inserting ‘‘effect, subject to section 8339a;’’.

(B) The table of sections for chapter 83 is amended by inserting after the item relating to section 8339 the following:

‘‘8339a. Special rules relating to average pay.’’.

(b) FERS.—

(1) IN GENERAL.—Chapter 84 is amended by inserting after section 8461 the following:

**‘‘§ 8461a. Special rules relating to average pay**

‘‘(a) Notwithstanding section 8401(3), for purposes of computing any annuity or survivor annuity under this chapter, eligibility for which is based on a separation occurring after December 31, 1995, ‘average pay’ shall, if the separation occurs—

‘‘(1) during calendar year 1996, have the meaning given such term by subsection (b)(1); or

‘‘(2) after calendar year 1996, have the meaning given such term by subsection (b)(2).

‘‘(b) For purposes of this section—

‘‘(1) the meaning given the term ‘average pay’ by this paragraph shall be the meaning such term would have under section 8401(3) if ‘4 consecutive years’ were substituted for ‘3 consecutive years’ and ‘4 years’ were substituted for ‘3 years’; and

‘‘(2) the meaning given the term ‘average pay’ by this paragraph shall be the meaning such term would have under section 8401(3) if ‘5 consecutive years’ were substituted for ‘3 consecutive years’ and ‘5 years’ were substituted for ‘3 years’.

‘‘(c) Nothing in this section shall be considered to apply with respect to any annuity or survivor annuity eligibility for which is based on a separation occurring before January 1, 1996.

‘‘(d) The Office of Personnel Management shall prescribe such regulations as may be necessary to carry out this section.’’.

(2) TECHNICAL AMENDMENTS.—

(A) Section 8401(3) is amended by striking ‘‘effect;’’ and inserting ‘‘effect, subject to section 8461a;’’.

(B) The table of sections for chapter 84 is amended by inserting after the item relating to section 8461 the following:

‘‘8461a. Special rules relating to average pay.’’.

(c) REGULATIONS.—The Office of Personnel Management shall prescribe such regulations as may be necessary to carry out the purposes of this section, including regulations to provide that section 302(a)(6) of the Federal Employees’ Retirement System Act of 1986 (5 U.S.C. 8331 note) shall be carried out in a manner consistent with the amendments made by this section.

**SEC. 4005. ACCRUAL RATES.**

(a) CSRS.—

(1) MEMBERS.—

(A) IN GENERAL.—Section 8339(c) is amended by striking all that follows ‘‘with respect to—’’ and inserting the following:

‘‘(1) so much of his service as a Member as is or was performed before January 1, 1996;

''(2) so much of his military service as—

''(A) is creditable for the purpose of this subsection; and

''(B) is or was performed before January 1, 1996; and

''(3) so much of his Congressional employee service as is or was performed before January 1, 1996;

by multiplying 2½ percent of his average pay by the years of that service.''.

(B) TECHNICAL AMENDMENT.—Section 8332(d) is amended by striking ''section 8339(c)(1)'' and inserting ''section 8339(c)''.

(2) CONGRESSIONAL EMPLOYEES.—Section 8339(b) is amended—

(A) by inserting ''so much of'' after ''is computed with respect to''; and

(B) by inserting ''as is or was performed before January 1, 1996,'' before ''by multiplying''.

(b) FERS.—

(1) MEMBERS.—Section 8415(b) is amended by striking ''shall'' and inserting ''shall, to the extent that such service is or was performed before January 1, 1996,''.

(2) CONGRESSIONAL EMPLOYEES.—Section 8415(c) is amended by striking ''shall'' and inserting ''shall, to the extent that such service is or was performed before January 1, 1996,''.

(3) PROVISIONS RELATING TO THE 1.1 PERCENT ACCRUAL RATE.—Section 8415(g) is amended—

(A) in paragraph (1) by striking ''an employee under paragraph (2),'' and inserting ''an employee or Member under paragraph (2),'';

(B) in paragraph (2) by inserting ''or Member'' after ''in the case of an employee'' and by striking ''Congressional employee,''; and

(C) by adding at the end the following:

''(3) Notwithstanding any other provision of this subsection—

''(A) this subsection shall not apply in the case of a Member or Congressional employee whose separation (on which entitlement to annuity is based) occurs before January 1, 1996; and

''(B) in the case of a Member or Congressional employee to whom this subsection applies, the 1.1 percent accrual rate shall apply only with respect to any period of service other than a period with respect to which the 1.7 percent accrual rate applies under subsection (b) or (c).''.

**SEC. 4006. ELIMINATION OF MEMBERS' OPTION TO ELECT NOT TO PARTICIPATE IN FERS.**

(a) IN GENERAL.—Section 8401(20) is amended by striking ''2106,'' and all that follows through the semicolon and inserting ''2106;''.

(b) EFFECTIVE DATE; SAVINGS PROVISION.—

(1) EFFECTIVE DATE.—Subsection (a) shall take effect on January 1, 1996.

(2) SAVINGS PROVISION.—The amendment made by subsection (a) shall not affect any election made before such subsection takes effect.

## TITLE V—MEDICARE SAVINGS EXTENSIONS

**SEC. 5001. SHORT TITLE.**

This title may be cited as the ''Medicare Presidential Budget Savings Extension Act of 1995''.

### Subtitle A—Provisions Relating to Part A of the Medicare Program

**SEC. 5101. MAINTAINING SAVINGS RESULTING FROM TEMPORARY FREEZE ON PAYMENT INCREASES FOR SKILLED NURSING FACILITY SERVICES.**

(a) BASING UPDATES TO PER DIEM COST LIMITS ON LIMITS FOR FISCAL YEAR 1993.—

(1) IN GENERAL.—The last sentence of section 1888(a) of the Social Security Act (42 U.S.C. 1395yy(a)) is amended by adding at the end the following: ''(except that such updates may not take into account any changes in the routine service costs of skilled nursing facilities occurring during cost reporting periods which began during fiscal year 1994 or fiscal year 1995).''.

(2) NO EXCEPTIONS PERMITTED BASED ON AMENDMENT.—The Secretary of Health and Human Services shall not consider the amendment made by paragraph (1) in making any adjustments pursuant to section 1888(c) of the Social Security Act.

(b) PAYMENTS DETERMINED ON PROSPECTIVE BASIS.—Any change made by the Secretary of Health and Human Services in the amount of any prospective payment paid to a skilled nursing facility under section 1888(d) of the Social Security Act for cost reporting periods beginning on or after October 1, 1995, may not take into account any changes in the costs of services occurring during cost reporting periods which began during fiscal year 1994 or fiscal year 1995.

### Subtitle B—Provisions Relating to Part B of the Medicare Program

**SEC. 5201. SETTING THE PART B PREMIUM AT 25 PERCENT OF PROGRAM EXPENDITURES PERMANENTLY.**

(a) IN GENERAL.—Section 1839(a)(3) of the Social Security Act (42 U.S.C. 1395r(a)(3)) is amended by striking ''The monthly premium'' and all that follows through ''November 1.'' and inserting the following: ''The monthly premium shall be equal to 50 percent of the monthly actuarial rate for enrollees age 65 and over, as determined according to paragraph (1), for that succeeding calendar year.''.

(b) CONFORMING AMENDMENTS.—Section 1839 of such Act (42 U.S.C. 1395r) is amended—

(1) in subsection (a)(2), by striking ''(b) and (e)'' and inserting ''(b), (c), (e), and (f)'';

(2) in the last sentence of subsection (a)(3), by striking ''and the derivation of the dollar amounts specified in this paragraph''; and

(3) in subsection (e)—

(A) by striking ''(1)(A) Notwithstanding'' and all that follows through ''(B)'',

(B) by striking paragraph (2), and

(C) by redesignating clauses (i) through (v) as paragraphs (1) through (5).

### Subtitle C—Provisions Relating to Parts A and B of the Medicare Program

**SEC. 5301. PERMANENT EXTENSION OF CERTAIN SECONDARY PAYER PROVISIONS.**

(a) DATA MATCH.—

(1) Section 1862(b)(5)(C) of the Social Security Act (42 U.S.C. 1395y(b)(5)(C)) is amended by striking clause (iii).

(2) Section 6103(l)(12) of the Internal Revenue Code of 1986 is amended by striking subparagraph (F).

(b) APPLICATION TO DISABLED INDIVIDUALS IN LARGE GROUP HEALTH PLANS.—

(1) IN GENERAL.—Section 1862(b)(1)(B) of the Social Security Act (42 U.S.C. 1395y(b)(1)(B)) is amended—

(A) in clause (i), by striking ''clause (iv)'' and inserting ''clause (iii)'',

(B) by striking clause (iii), and

(C) by redesignating clause (iv) as clause (iii).

(2) CONFORMING AMENDMENTS.—Paragraphs (1) through (3) of section 1837(i) of such Act (42 U.S.C. 1395p(i)) and the second sentence of section 1839(b) of such Act (42 U.S.C. 1395r(b)) are each amended by striking ''1862(b)(1)(B)(iv)'' each place it appears and inserting ''1862(b)(1)(B)(iii)''.

(c) PERIOD OF APPLICATION TO INDIVIDUALS WITH END STAGE RENAL DISEASE.—Section 1862(b)(1)(C) of the Social Security Act (42 U.S.C. 1395y(b)(1)(C)) is amended—

(1) in the first sentence, by striking ''12-month'' each place it appears and inserting ''18-month'', and

(2) by striking the second sentence.

**SEC. 5302. MAINTAINING SAVINGS RESULTING FROM TEMPORARY FREEZE ON PAYMENT INCREASES FOR HOME HEALTH SERVICES.**

(a) BASING UPDATES TO PER VISIT COST LIMITS ON LIMITS FOR FISCAL YEAR 1993.—Section 1861(v)(1)(L)(iii) of the Social Security Act (42 U.S.C. 1395x(v)(1)(L)(iii)) is amended by adding at the end the following sentence: ''In establishing limits under this subparagraph, the Secretary may not take into account any changes in the costs of the provision of services furnished by home health agencies with respect to cost reporting periods which began on or after July 1, 1994, and before July 1, 1996.''.

(b) NO EXCEPTIONS PERMITTED BASED ON AMENDMENT.—The Secretary of Health and Human Services shall not consider the amendment made by subsection (a) in making any exemptions and exceptions pursuant to section 1861(v)(1)(L)(ii) of the Social Security Act.

## TITLE VI—CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995

**SEC. 6001. SHORT TITLE; AMENDMENT OF 1986 CODE.**

(a) SHORT TITLE.—This title may be cited as the ''Contract With America Tax Relief Act of 1995''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE V—CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995

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Sec. 6601. Coordination with other subtitles.
Sec. 6602. Amendments related to Revenue Reconciliation Act of 1990.
Sec. 6603. Amendments related to Revenue Reconciliation Act of 1993.
Sec. 6604. Miscellaneous provisions.

## Subtitle A—American Dream Restoration

**SEC. 6101. FAMILY TAX CREDIT.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 22 the following new section:

**"SEC. 23. FAMILY TAX CREDIT.**

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to $500 multiplied by the number of qualifying children of the taxpayer.

''(b) LIMITATION.—The amount of credit which would (but for this subsection) be allowed by subsection (a) shall be reduced (but not below zero) by an amount which bears the same ratio to such amount of credit as—

''(1) the excess (if any) of the taxpayer's adjusted gross income (determined without regard to sections 911, 931, and 933) over $200,000, bears to

''(2) an amount equal to 100 times the dollar amount in effect under subsection (a) for the taxable year.

''(c) QUALIFYING CHILD.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying child' means any individual if—

''(A) the taxpayer is allowed a deduction under section 151 with respect to such individual for such taxable year,

''(B) such individual has not attained the age of 18 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

''(C) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B) (determined without regard to clause (ii) thereof).

''(2) EXCEPTION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

''(d) INFLATION ADJUSTMENTS.—

''(1) IN GENERAL.—In the case of a taxable year beginning in a calendar year after 1996, the $500 and $200,000 amounts contained in subsections (a) and (b) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

''(e) CERTAIN OTHER RULES APPLY.—Rules similar to the rules of subsections (d) and (e) of section 32 shall apply for purposes of this section.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 22 the following new item:

''Sec. 23. Family tax credit.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6102. CREDIT TO REDUCE MARRIAGE PENALTY.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 23 the following new section:

**"SEC. 24. CREDIT TO REDUCE MARRIAGE PENALTY.**

''(a) ALLOWANCE OF CREDIT.—In the case of a joint return for the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the marriage penalty reduction credit.

''(b) LIMITATIONS.—

''(1) DOLLAR LIMITATION.—The amount of credit allowed by subsection (a) for the taxable year shall not exceed $145.

''(2) CREDIT DISALLOWED FOR INDIVIDUALS CLAIMING SECTION 911, ETC.—No credit shall be allowed under this section for any taxable year if either spouse claims the benefits of section 911, 931, or 933 for such taxable year.

''(c) MARRIAGE PENALTY REDUCTION CREDIT.—For purposes of this section—

''(1) IN GENERAL.—The marriage penalty reduction credit is an amount equal to the excess (if any) of—

''(A) the joint tax amount of the taxpayer, over

''(B) the sum of the unmarried tax amounts for each spouse.

''(2) UNMARRIED TAX AMOUNT.—For purposes of paragraph (1), the unmarried tax amount, with respect to an individual, is the amount of tax which would be imposed by section 1(c) if such individual's taxable income were equal to the excess (if any) of—

''(A) such individual's qualified earned income for the taxable year, over

''(B) the sum of—

''(i) an amount equal to the basic standard deduction under section 63(c)(2)(C) for the taxable year, plus

''(ii) the exemption amount (as defined in section 151(d)) for such taxable year.

''(3) JOINT TAX AMOUNT.—For purposes of paragraph (1), the joint tax amount is the amount of tax which would be imposed by section 1(a) if the taxpayer's taxable income were equal to the excess (if any) of—

''(A) the taxpayer's qualified earned income for the taxable year, over

''(B) the sum of—

''(i) an amount equal to the basic standard deduction under section 63(c)(2)(A) for the taxable year, plus

''(ii) an amount equal to twice the exemption amount (as so defined) for such taxable year.

''(d) QUALIFIED EARNED INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified earned income' means an amount equal to the excess (if any) of—

''(A) the earned income for the taxable year, over

''(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (6), (7), and (12) of section 62(a) to the extent that such deductions are properly allocable to or chargeable against earned income for such taxable year.

The amount of qualified earned income shall be determined without regard to any community property laws.

''(2) EARNED INCOME.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The term 'earned income' means income which is earned income within the meaning of section 401(c)(2)(C) or 911(d)(2) (determined without regard to the phrase 'not in excess of 30 percent of his share of the net profits of such trade or business' in subparagraph (B) thereof).

''(B) EXCEPTION.—Such term shall not include any amount—

''(i) not includible in gross income,

''(ii) received as a pension or annuity,

''(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

''(iv) received as deferred compensation, or

''(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(B)).

''(e) AMOUNT OF CREDIT TO BE DETERMINED UNDER TABLES.—

''(1) IN GENERAL.—The amount of the credit allowed by this section shall be determined under tables prescribed by the Secretary.

''(2) REQUIREMENTS FOR TABLES.—The tables prescribed under paragraph (1) shall reflect the provisions of subsection (c) and shall round to the nearest $25 any amount of credit which is less than the maximum credit under subsection (b)(1).''

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 23 the following new item:

''Sec. 24. Credit to reduce marriage penalty.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6103. ESTABLISHMENT OF AMERICAN DREAM SAVINGS ACCOUNTS.**

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408 the following new section:

**"SEC. 408A. AMERICAN DREAM SAVINGS ACCOUNTS.**

''(a) GENERAL RULE.—Except as provided in this section, an American Dream Savings Account shall be treated for purposes of this title in the same manner as an individual retirement plan.

''(b) AMERICAN DREAM SAVINGS ACCOUNT.—For purposes of this title, the term 'American Dream Savings Account' or 'ADS account' means an individual retirement plan which is designated at the time of the establishment of the plan as an American Dream Savings Account. Such designation shall be made in such manner as the Secretary may prescribe.

''(c) CONTRIBUTION RULES.—

''(1) NO DEDUCTION ALLOWED.—No deduction shall be allowed under section 219 for a contribution to an ADS account.

''(2) CONTRIBUTION LIMIT.—

''(A) IN GENERAL.—The aggregate amount of contributions (other than rollover contributions) for any taxable year to all ADS accounts maintained for the benefit of an individual shall not exceed the lesser of—

''(i) $2,000, or

''(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

''(B) $4,000 LIMITATION FOR CERTAIN ADDITIONAL MARRIED INDIVIDUALS.—

''(i) IN GENERAL.—In the case of an individual to whom this subparagraph applies for the taxable year, the limitation of subparagraph (A)(ii) shall be equal to the sum of—

''(I) the compensation includible in such individual's gross income for the taxable year, plus

''(II) the compensation includible in the gross income of such individual's spouse for the taxable year reduced by the amount of the limitation under subparagraph (A) applicable to such spouse for such taxable year.

''(ii) INDIVIDUALS TO WHOM CLAUSE (i) APPLIES.—Clause (i) shall apply to any individual if—

''(I) such individual files a joint return for the taxable year, and

''(II) the amount of compensation (if any) includible in such individual's gross income for the taxable year is less than the compensation includible in the gross income of such individual's spouse for the taxable year.

''(C) ADJUSTMENT FOR INFLATION.—

''(i) IN GENERAL.—In the case of a taxable year beginning in a calendar year after 1996, the $2,000 amount contained in subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

''(D) TAX ON EXCESS CONTRIBUTIONS.—Section 4973 shall be applied separately with respect to individual retirement plans which are ADS accounts and individual retirement plans which are not ADS accounts; except that, for purposes of applying such section with respect to individual retirement plans which are ADS accounts, excess contributions shall be considered to be any amounts in excess of the limitation under subsection (c)(2)(A).

''(3) CONTRIBUTIONS PERMITTED AFTER AGE 70½.—Contributions to an ADS account may be made even after the individual for whom the account is maintained has attained age 70½.

''(4) MANDATORY DISTRIBUTION RULES NOT TO APPLY, ETC.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), subsections (a)(6) and (b)(3) of section 408 (relating to required distributions) and section 4974 (relating to excise tax on certain accumulations in qualified retirement plans) shall not apply to any ADS account.

''(B) POST-DEATH DISTRIBUTIONS.—Rules similar to the rules of section 401(a)(9) (other than subparagraph (A) thereof) shall apply for purposes of this section.

''(5) LIMITATIONS ON ROLLOVER CONTRIBUTIONS.—No rollover contribution may be made to an ADS account unless—

''(A) such contribution is from another ADS account, or

''(B) such contribution is from an individual retirement plan (other than an ADS account) and is made before January 1, 1998.

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) GENERAL RULES.—

''(A) EXCLUSION FROM GROSS INCOME.—No portion of a qualified distribution from an ADS account shall be includible in gross income.

''(B) EXCEPTION FROM PENALTY TAX.—Section 72(t) shall not apply to—

''(i) any qualified distribution from an ADS account, and

''(ii) any qualified special purpose distribution (whether or not a qualified distribution) from an ADS account.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' means any payment or distribution—

''(i) made on or after the date on which the individual attains age 59½,

''(ii) made to a beneficiary (or to the estate of the individual) on or after the death of the individual,

''(iii) attributable to the individual's being disabled (within the meaning of section 72(m)(7)), or

''(iv) which is a qualified special purpose distribution.

''(B) DISTRIBUTIONS WITHIN 5 YEARS.—No payment or distribution shall be treated as a qualified distribution if—

''(i) it is made within the 5-taxable year period beginning with the 1st taxable year for which the individual made a contribution to an ADS account (or such individual's spouse made a contribution to an ADS account) established for such individual, or

''(ii) in the case of a payment or distribution properly allocable to a rollover contribution (or income allocable thereto), it is made within 5 years after the date on which such rollover contribution was made, as determined under regulations prescribed by the Secretary.

Clause (ii) shall not apply to a rollover contribution from an ADS account.

''(3) INCOME INCLUSION FOR ROLLOVERS FROM NON-ADS ACCOUNTS.—In the case of any amount paid or distributed out of an individual retirement plan (other than an ADS account) which is paid into an ADS account (established for the benefit of the payee or distributee, as the case may be) before the close of the 60th day after the day on which the payment or distribution is received—

''(A) sections 72(t) and 408(d)(3) shall not apply, and

''(B) any amount required to be included in gross income by reason of this paragraph shall be so included ratably over the 4-taxable year period beginning with the taxable year in which the payment or distribution is made.

''(e) QUALIFIED SPECIAL PURPOSE DISTRIBUTION.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified special purpose distribution' means any payments or distributions from an ADS account to the individual for whose benefit such account is established—

''(A) if such payments or distributions are qualified first-time homebuyer distributions, or

''(B) to the extent such payments or distributions do not exceed—

''(i) the qualified higher education expenses of the taxpayer for the taxable year in which received, and

''(ii) the qualified medical expenses of the taxpayer for the taxable year in which received.

''(2) QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTIONS.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'qualified first-time homebuyer distribution' means any payment or distribution received by an individual to the extent such payment or distribution is used by the individual before the close of the 60th day after the day on which such payment or distribution is received to pay qualified acquisition costs with respect to a principal residence for such individual as a first-time homebuyer.

''(B) QUALIFIED ACQUISITION COSTS.—For purposes of this paragraph, the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. Such term includes any usual or reasonable settlement, financing, or other closing costs.

''(C) FIRST-TIME HOMEBUYER; OTHER DEFINITIONS.—For purposes of this paragraph—

''(i) FIRST-TIME HOMEBUYER.—The term 'first-time homebuyer' means any individual if such individual (and, if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this paragraph applies.

''(ii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 1034.

''(iii) DATE OF ACQUISITION.—The term 'date of acquisition' means the date—

''(I) on which a binding contract to acquire the principal residence to which subparagraph (A) applies is entered into, or

''(II) on which a binding contract to construct or reconstruct such a principal residence is entered into.

''(D) SPECIAL RULE WHERE DELAY IN ACQUISITION.—If any payment or distribution out of an ADS account fails to meet the requirements of subparagraph (A) solely by reason of a delay or cancellation of the purchase, construction, or reconstruction of the residence, the amount of the payment or distribution may be contributed to an ADS account as provided in subsection (d)(3)(A)(i) of section 408 (determined by substituting '120th day' for '60th day' in such subsection), except that—

''(i) subsection (d)(3)(B) of such section shall not be applied to such contribution, and

''(ii) such amount shall not be taken into account in determining whether subsection (d)(3)(A)(i) of such section applies to any other amount.

''(3) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse, or

''(iii) the taxpayer's child (as defined in section 151(c)(3)) or grandchild,

at an eligible educational institution (as defined in section 135(c)(3)).

''(B) COORDINATION WITH SAVINGS BOND PROVISIONS.—The amount of qualified higher education expenses for any taxable year shall be reduced by any amount excludable from gross income under section 135.

''(4) QUALIFIED MEDICAL EXPENSES.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'qualified medical expenses' means any amounts paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or a dependent (as defined in section 152).

''(B) LONG-TERM CARE INSURANCE PREMIUMS TREATED AS MEDICAL EXPENSES.—For purposes of subparagraph (A), section 213(d)(1)(C) shall not apply but the term 'qualified medical expenses' shall include premiums for long-term care insurance (as defined in section 7702B(b)) for coverage of the taxpayer or his spouse.

''(f) OTHER DEFINITIONS.—For purposes of this section—

''(1) ROLLOVER CONTRIBUTIONS.—The term 'rollover contributions' means contributions described in sections 402(c), 403(a)(4), 403(b)(8), or 408(d)(3).

''(2) COMPENSATION.—The term 'compensation' has the meaning given such term by section 219(f).''

(b) TERMINATION OF NONDEDUCTIBLE IRA CONTRIBUTIONS.—

(1) Section 408(o) is amended by adding at the end the following new paragraph:

''(5) TERMINATION.—This subsection shall not apply to any designated nondeductible contribution for any taxable year beginning after December 31, 1995.''

(2) Section 219(f) of is amended by striking paragraph (7).

(c) EXCESS DISTRIBUTIONS TAX NOT TO APPLY.—Subparagraph (B) of section 4980A(e)(1) is amended by inserting ''other than an ADS account (as defined in section 408A(b))'' after ''retirement plan''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 408 the following new item:

''Sec. 408A. American Dream Savings Accounts.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6104. SPOUSAL IRA COMPUTED ON BASIS OF COMPENSATION OF BOTH SPOUSES.**

(a) IN GENERAL.—Subsection (c) of section 219 (relating to special rules for certain married individuals) is amended to read as follows:

''(c) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—

''(1) IN GENERAL.—In the case of an individual to whom this paragraph applies for the taxable year, the limitation of subsection (b)(1) shall be equal to the lesser of—

''(A) $2,000, or

''(B) the sum of—

''(i) the compensation includible in such individual's gross income for the taxable year, plus

''(ii) the compensation includible in the gross income of such individual's spouse for the taxable year reduced by the amount allowable as a deduction under subsection (a) to such spouse for such taxable year.

''(2) INDIVIDUALS TO WHOM PARAGRAPH (1) APPLIES.—Paragraph (1) shall apply to any individual if—

''(A) such individual files a joint return for the taxable year, and

''(B) the amount of compensation (if any) includible in such individual's gross income for the taxable year is less than the compensation includible in the gross income of such individual's spouse for the taxable year.''

(b) TECHNICAL AMENDMENT.—Paragraph (2) of section 219(f) (relating to other definitions and special rules) is amended by striking ''subsections (b) and (c)'' and inserting ''subsection (b)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

## Subtitle B—Senior Citizens' Equity

## PART I—REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS

**SEC. 6201. REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.**

(a) IN GENERAL.—Subsection (a) of section 86 (relating to social security and tier 1 railroad retirement benefits) is amended by adding at the end the following new paragraph:

''(3) PHASEOUT OF ADDITIONAL AMOUNT.—In the case of any taxable year beginning in a calendar year after 1995 and before 2000, paragraph (2) shall be applied by substituting the percentage determined under the following table for '85 percent' each place it appears:

| **''In the case of a taxable year beginning in calendar year:** | **The percentage is:** |
|---|---|
| 1996 | 75 percent |
| 1997 | 65 percent |
| 1998 | 60 percent |
| 1999 | 55 percent.'' |

(b) TERMINATION OF ADDITIONAL AMOUNT.—Paragraph (2) of section 86(a) is amended by adding at the end the following new flush sentence:

''This paragraph shall not apply to any taxable year beginning after December 31, 1999.''

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 871(a) is amended—

(A) by striking ''85 percent'' in subparagraph (A) and inserting ''50 percent'', and

(B) by inserting before the last sentence the following new flush sentence:

''In the case of any taxable year beginning in a calendar year after 1995 and before 2000, subparagraph (A) shall be applied by substituting the percentage determined for such calendar year under section 86(a)(3) for '50 percent'.''

(2)(A) Subparagraph (A) of section 121(e)(1) of the Social Security Amendments of 1983 (Public Law 98–21) is amended—

(i) by striking ''(A) There'' and inserting ''There'';

(ii) by striking ''(i)'' immediately following ''amounts equivalent to''; and

(iii) by striking '', less (ii)'' and all that follows and inserting a period.

(B) Paragraph (1) of section 121(e) of such Act is amended by striking subparagraph (B).

(C) Paragraph (3) of section 121(e) of such Act is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(D) Paragraph (2) of section 121(e) of such Act is amended in the first sentence by striking ''paragraph (1)(A)'' and inserting ''paragraph (1)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1995.

(2) SUBSECTION (c)(2).—The amendments made by subsection (c)(2) shall apply to tax liabilities for taxable years beginning after December 31, 1995.

## PART II—TREATMENT OF LONG-TERM CARE INSURANCE AND SERVICES

**SEC. 6211. TREATMENT OF LONG-TERM CARE INSURANCE.**

(a) GENERAL RULE.—Chapter 79 (relating to definitions) is amended by inserting after section 7702A the following new section:

**''SEC. 7702B. TREATMENT OF LONG-TERM CARE INSURANCE.**

''(a) IN GENERAL.—For purposes of this title—

''(1) a long-term care insurance contract shall be treated as an accident and health insurance contract,

''(2) amounts (other than policyholder dividends, as defined in section 808, or premium refunds) received under a long-term care insurance contract shall be treated as amounts received for personal injuries and sickness and shall be treated as reimbursement for expenses actually incurred for medical care (as defined in section 213(d)),

''(3) any plan of an employer providing coverage under a long-term care insurance contract shall be treated as an accident and health plan with respect to such coverage,

''(4) except as provided in subsection (d)(3), amounts paid for a long-term care insurance contract providing the benefits described in subsection (b)(2)(A) shall be treated as payments made for insurance for purposes of section 213(d)(1)(D), and

''(5) a long-term care insurance contract shall be treated as a guaranteed renewable contract subject to the rules of section 816(e).

''(b) LONG-TERM CARE INSURANCE CONTRACT.—For purposes of this title—

''(1) IN GENERAL.—The term 'long-term care insurance contract' means any insurance contract if—

''(A) the only insurance protection provided under such contract is coverage of qualified long-term care services,

''(B) such contract does not pay or reimburse expenses incurred for services or items to the extent that such expenses are reimbursable under title XVIII of the Social Security Act or would be so reimbursable but for the application of a deductible or coinsurance amount,

''(C) such contract is guaranteed renewable,

''(D) such contract does not provide for a cash surrender value or other money that can be—

''(i) paid, assigned, or pledged as collateral for a loan, or

''(ii) borrowed,

other than as provided in subparagraph (E) or paragraph (2)(C), and

''(E) all refunds of premiums, and all policyholder dividends or similar amounts, under such contract are to be applied as a reduction in future premiums or to increase future benefits.

''(2) SPECIAL RULES.—

''(A) PER DIEM, ETC. PAYMENTS PERMITTED.—A contract shall not fail to be described in subparagraph (A) or (B) of paragraph (1) by reason of payments being made on a per diem or other periodic basis without regard to the expenses incurred during the period to which the payments relate.

''(B) SPECIAL RULES RELATING TO MEDICARE.—

''(i) Paragraph (1)(B) shall not apply to expenses which are reimbursable under title XVIII of the Social Security Act only as a secondary payor.

''(ii) No provision of law shall be construed or applied so as to prohibit the offering of a long-term care insurance contract on the basis that the contract coordinates its benefits with those provided under such title.

''(C) REFUNDS OF PREMIUMS.—Paragraph (1)(E) shall not apply to any refund on the

death of the insured, or on a complete surrender or cancellation of the contract, which cannot exceed the aggregate premiums paid under the contract. Any refund on a complete surrender or cancellation of the contract shall be includible in gross income to the extent that any deduction or exclusion was allowable with respect to the premiums.

''(c) QUALIFIED LONG-TERM CARE SERVICES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified long-term care services' means necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services, which—

''(A) are required by a chronically ill individual, and

''(B) are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

''(2) CHRONICALLY ILL INDIVIDUAL.—

''(A) IN GENERAL.—The term 'chronically ill individual' means any individual who has been certified by a licensed health care practitioner as—

''(i) being unable to perform (without substantial assistance from another individual) at least 2 activities of daily living for a period of at least 90 days due to a loss of functional capacity or to cognitive impairment, or

''(ii) having a level of disability similar (as determined by the Secretary in consultation with the Secretary of Health and Human Services) to the level of disability described in clause (i).

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the preceding 12-month period a licensed health care practitioner has certified that such individual meets such requirements.

''(B) ACTIVITIES OF DAILY LIVING.—For purposes of subparagraph (A), each of the following is an activity of daily living:

''(i) Eating.

''(ii) Toileting.

''(iii) Transferring.

''(iv) Bathing.

''(v) Dressing.

''(vi) Continence.

Nothing in this section shall be construed to require a contract to take into account all of the preceding activities of daily living.

''(3) MAINTENANCE OR PERSONAL CARE SERVICES.—The term 'maintenance or personal care services' means any care the primary purpose of which is the provision of needed assistance with any of the disabilities as a result of which the individual is a chronically ill individual (including the protection from threats to health and safety due to severe cognitive impairment).

''(4) LICENSED HEALTH CARE PRACTITIONER.—The term 'licensed health care practitioner' means any physician (as defined in section 1861(r)(1) of the Social Security Act) and any registered professional nurse, licensed social worker, or other individual who meets such requirements as may be prescribed by the Secretary.

''(d) TREATMENT OF COVERAGE PROVIDED AS PART OF A LIFE INSURANCE CONTRACT.—Except as otherwise provided in regulations prescribed by the Secretary, in the case of any long-term care insurance coverage (whether or not qualified) provided by a rider on a life insurance contract—

''(1) IN GENERAL.—This section shall apply as if the portion of the contract providing such coverage is a separate contract.

''(2) APPLICATION OF 7702.—Section 7702(c)(2) (relating to the guideline premium limitation) shall be applied by increasing the guideline premium limitation with respect to a life insurance contract, as of any date—

''(A) by the sum of any charges (but not premium payments) against the life insurance contract's cash surrender value (within the meaning of section 7702(f)(2)(A)) for such coverage made to that date under the contract, less

''(B) any such charges the imposition of which reduces the premiums paid for the contract (within the meaning of section 7702(f)(1)).

''(3) APPLICATION OF SECTION 213.—No deduction shall be allowed under section 213(a) for charges against the life insurance contract's cash surrender value described in paragraph (2), unless such charges are includible in income as a result of the application of section 72(e)(10) and the rider is a long-term care insurance contract under subsection (b).

''(4) PORTION DEFINED.—For purposes of this subsection, the term 'portion' means only the terms and benefits under a life insurance contract that are in addition to the terms and benefits under the contract without regard to the coverage under a long-term care insurance contract.''

(b) RESERVE METHOD.—Clause (iii) of section 807(d)(3)(A) is amended by inserting ''(other than a long-term care insurance contract, as defined in section 7702B(b))'' after ''insurance contract''.

(c) LONG-TERM CARE INSURANCE NOT PERMITTED UNDER CAFETERIA PLANS OR FLEXIBLE SPENDING ARRANGEMENTS.—

(1) CAFETERIA PLANS.—Section 125(f) is amended by adding at the end the following new sentence: ''Such term shall not include any long-term care insurance contract (as defined in section 7702B(b)).''

(2) FLEXIBLE SPENDING ARRANGEMENTS.—The text of section 106 (relating to contributions by employer to accident and health plans) is amended to read as follows:

''(a) GENERAL RULE.—Except as provided in subsection (b), gross income of an employee does not include employer-provided coverage under an accident or health plan.

''(b) INCLUSION OF LONG-TERM CARE BENEFITS PROVIDED THROUGH FLEXIBLE SPENDING ARRANGEMENTS.—

''(1) IN GENERAL.—Effective on and after January 1, 1996, gross income of an employee shall include employer-provided coverage for qualified long-term care services (as defined in section 7702B(c)) to the extent that such coverage is provided through a flexible spending or similar arrangement.

''(2) FLEXIBLE SPENDING ARRANGEMENT.—For purposes of this subsection, a flexible spending arrangement is a benefit program which provides employees with coverage under which—

''(A) specified incurred expenses may be reimbursed (subject to reimbursement maximums and other reasonable conditions), and

''(B) the maximum amount of reimbursement which is reasonably available to a participant for such coverage is less than 500 percent of the value of such coverage.

In the case of an insured plan, the maximum amount reasonably available shall be determined on the basis of the underlying coverage.''

(d) CONTINUATION COVERAGE EXCISE TAX NOT TO APPLY.—Subsection (f) of section 4980B is amended by adding at the end the following new paragraph:

''(9) CONTINUATION OF LONG-TERM CARE COVERAGE NOT REQUIRED.—A group health plan shall not be treated as failing to meet the requirements of this subsection solely by reason of failing to provide coverage under any long-term care insurance contract (as defined in section 7702B(b)).''

(e) AMOUNTS PAID TO RELATIVES TREATED AS NOT PAID FOR MEDICAL CARE.—Section 213(d) is amended by adding at the end the following new paragraph:

''(10) CERTAIN PAYMENTS TO RELATIVES TREATED AS NOT PAID FOR MEDICAL CARE.—An amount paid for a qualified long-term care service (as defined in section 7702B(c)) provided to an individual shall be treated as not paid for medical care if such service is provided—

''(A) by a relative (directly or through a partnership, corporation, or other entity) unless the relative is a licensed professional with respect to such services, or

''(B) by a corporation or partnership which is related (within the meaning of section 267(b) or 707(b)) to the individual.

For purposes of this paragraph, the term 'relative' means an individual bearing a relationship to the individual which is described in any of paragraphs (1) through (8) of section 152(a). This paragraph shall not apply for purposes of section 105(b) with respect to reimbursements through insurance.''

(f) CLERICAL AMENDMENT.—The table of sections for chapter 79 is amended by inserting after the item relating to section 7702A the following new item:

''Sec. 7702B. Treatment of long-term care insurance.''.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to contracts issued after December 31, 1995.

(2) CONTINUATION OF EXISTING POLICIES.—In the case of any contract issued before January 1, 1996, which met the long-term care insurance requirements of the State in which the contract was sitused at the time the contract was issued—

(A) such contract shall be treated for purposes of the Internal Revenue Code of 1986 as a long-term care insurance contract (as defined in section 7702B(b) of such Code), and

(B) services provided under, or reimbursed by, such contract shall be treated for such purposes as qualified long-term care services (as defined in section 7702B(c) of such Code).

(3) EXCHANGES OF EXISTING POLICIES.—If, after the date of enactment of this Act and before January 1, 1996, a contract providing for long-term care insurance coverage is exchanged solely for a long-term care insurance contract (as defined in section 7702B(b) of such Code), no gain or loss shall be recognized on the exchange. If, in addition to a long-term care insurance contract, money or other property is received in the exchange, then any gain shall be recognized to the extent of the sum of the money and the fair market value of the other property received. For purposes of this paragraph, the cancellation of a contract providing for long-term care insurance coverage and reinvestment of the cancellation proceeds in a long-term care insurance contract within 60 days thereafter shall be treated as an exchange.

(4) ISSUANCE OF CERTAIN RIDERS PERMITTED.—For purposes of applying sections 101(f), 7702, and 7702A of the Internal Revenue Code of 1986 to any contract—

(A) the issuance of a rider which is treated as a long-term care insurance contract under section 7702B, and

(B) the addition of any provision required to conform any other long-term care rider to be so treated,

shall not be treated as a modification or material change of such contract.

**SEC. 6212. QUALIFIED LONG-TERM CARE SERVICES TREATED AS MEDICAL CARE.**

(a) GENERAL RULE.—Paragraph (1) of section 213(d) (defining medical care) is amended by striking ''or'' at the end of subparagraph (B), by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:

''(C) for qualified long-term care services (as defined in section 7702B(c)), or''.

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (D) of section 213(d)(1) (as redesignated by subsection (a)) is amended by striking ''subparagraphs (A) and (B)'' and inserting ''subparagraphs (A), (B), and (C)''.

(2)(A) Paragraph (1) of section 213(d) is amended by adding at the end the following new flush sentence:

''In the case of a long-term care insurance contract (as defined in section 7702B(b)), only eligible long-term care premiums (as defined in paragraph (11)) shall be taken into account under subparagraph (D).''

(B) Subsection (d) of section 213 is amended by adding at the end the following new paragraph:

''(11) ELIGIBLE LONG-TERM CARE PREMIUMS.—

''(A) IN GENERAL.—For purposes of this section, the term 'eligible long-term care premiums' means the amount paid during a taxable year for any long-term care insurance contract (as defined in section 7702B(b)) covering an individual, to the extent such amount does not exceed the limitation determined under the following table:

| **''In the case of an individual with an attained age before the close of the taxable year of:** | **The limitation is:** |
|---|---|
| 40 or less | $200 |
| More than 40 but not more than 50 | 375 |
| More than 50 but not more than 60 | 750 |
| More than 60 but not more than 70 | 2,000 |
| More than 70 | 2,500. |

''(B) INDEXING.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 1996, each dollar amount contained in subparagraph (A) shall be increased by the medical care cost adjustment of such amount for such calendar year. If any increase determined under the preceding sentence is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.

''(ii) MEDICAL CARE COST ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

''(I) the medical care component of the Consumer Price Index (as defined in section 1(f)(5)) for August of the preceding calendar year, exceeds

''(II) such component for August of 1995.

The Secretary shall, in consultation with the Secretary of Health and Human Services, prescribe an adjustment which the Secretary determines is more appropriate for purposes of this paragraph than the adjustment described in the preceding sentence, and the adjustment so prescribed shall apply in lieu of the adjustment described in the preceding sentence.''

(3) Paragraph (6) of section 213(d) is amended—

(A) by striking ''subparagraphs (A) and (B)'' and inserting ''subparagraphs (A), (B), and (C)'', and

(B) by striking ''paragraph (1)(C)'' in subparagraph (A) and inserting ''paragraph (1)(D)''.

(4) Paragraph (7) of section 213(d) is amended by striking ''subparagraphs (A) and (B)'' and inserting ''subparagraphs (A), (B), and (C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6213. CERTAIN EXCHANGES OF LIFE INSURANCE CONTRACTS FOR LONG-TERM CARE INSURANCE CONTRACTS NOT TAXABLE.**

(a) IN GENERAL.—Subsection (a) of section 1035 (relating to certain exchanges of insurance contracts) is amended by striking the period at the end of paragraph (3) and inserting ''; or'', and by adding at the end the following new paragraph:

''(4) a contract of life insurance or an endowment or annuity contract for a long-term care insurance contract (as defined in section 7702B(b)).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6214. EXCLUSION FROM GROSS INCOME FOR AMOUNTS WITHDRAWN FROM CERTAIN RETIREMENT PLANS FOR LONG-TERM CARE INSURANCE.**

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 137 as section 138 and by inserting after section 136 the following new section:

**''SEC. 137. DISTRIBUTIONS FROM CERTAIN RETIREMENT PLANS FOR LONG-TERM CARE INSURANCE.**

''(a) GENERAL RULE.—The amount which would (but for this section) be includible in the gross income of an individual for the taxable year by reason of eligible distributions during the taxable year shall be reduced (but not below zero) by the aggregate premiums paid by such individual during such taxable year for any long-term care insurance contract (as defined in section 7702B(b)) for coverage of such individual or the spouse of such individual.

''(b) ELIGIBLE DISTRIBUTION.—For purposes of this section, the term 'eligible distribution' means any distribution or payment to an individual from—

''(1) an individual retirement plan of such individual,

''(2) amounts attributable to employer contributions made pursuant to elective deferrals described in subparagraph (A) or (C) of section 402(g)(3) or section 501(c)(18)(D)(iii), or

''(3) amounts deferred under section 457(a).''

(b) CONFORMING AMENDMENTS.—

(1) Section 401(k)(2)(B)(i) is amended by striking ''or'' at the end of subclause (III), by striking ''and'' at the end of subclause (IV) and inserting ''or'', and by inserting after subclause (IV) the following new subclause:

''(V) the date distributions for premiums for a long-term care insurance contract (as defined in section 7702B(b)) for coverage of such individual or the spouse of such individual are made, and''.

(2) Section 403(b)(11) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by inserting after subparagraph (B) the following new subparagraph:

''(C) for the payment of premiums for a long-term care insurance contract (as defined in section 7702B(b)) for coverage of the employee or the spouse of the employee.''

(3) Subparagraph (A) of section 457(d)(1) is amended by striking ''or'' at the end of clause (ii), by striking ''and'' at the end of clause (iii) and inserting ''or'', and by inserting after clause (iii) the following new clause:

''(iv) the date distributions for premiums for a long-term care insurance contract (as defined in section 7702B(b)) for coverage of such individual or the spouse of such individual are made, and''.

(4) The table of sections for part III of subchapter B of chapter 1 is amended by striking the last item and inserting the following new items:

''Sec. 137. Distributions from certain retirement plans for long-term care insurance.

''Sec. 138. Cross references to other Acts.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments and distributions after December 31, 1995.

## PART III—TREATMENT OF ACCELERATED DEATH BENEFITS

**SEC. 6221. TREATMENT OF ACCELERATED DEATH BENEFITS BY RECIPIENT.**

(a) IN GENERAL.—Section 101 (relating to certain death benefits) is amended by adding at the end the following new subsection:

''(g) TREATMENT OF CERTAIN ACCELERATED DEATH BENEFITS.—

''(1) IN GENERAL.—For purposes of this section, the following amounts shall be treated as an amount paid by reason of the death of an insured:

''(A) Any amount received under a life insurance contract on the life of an insured who is a terminally ill individual.

''(B) Any amount received under a life insurance contract on the life of an insured who is a chronically ill individual (as defined in section 7702B(c)(2)) but only if such amount is received under a rider or other provision of such contract which is treated as a long-term care insurance contract under section 7702B.

''(2) TREATMENT OF VIATICAL SETTLEMENTS.—

''(A) IN GENERAL.—In the case of a life insurance contract on the life of an insured described in paragraph (1), if—

''(i) any portion of such contract is sold to any viatical settlement provider, or

''(ii) any portion of the death benefit is assigned to such a provider,

the amount paid for such sale or assignment shall be treated as an amount paid under the life insurance contract by reason of the death of such insured.

''(B) VIATICAL SETTLEMENT PROVIDER.—The term 'viatical settlement provider' means any person regularly engaged in the trade or business of purchasing, or taking assignments of, life insurance contracts on the lives of insureds described in paragraph (1) if—

''(i) such person is licensed for such purposes in the State in which the insured resides, or

''(ii) in the case of an insured who resides in a State not requiring the licensing of such persons for such purposes, such person meets the requirements of sections 8 and 9 of the Viatical Settlements Model Act of the National Association of Insurance Commissioners.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) TERMINALLY ILL INDIVIDUAL.—The term 'terminally ill individual' means an individual who has been certified by a physician as having an illness or physical condition which can reasonably be expected to result in death in 24 months or less after the date of the certification.

''(B) PHYSICIAN.—The term 'physician' has the meaning given to such term by section 1861(r)(1) of the Social Security Act (42 U.S.C. 1395x(r)(1)).

''(4) EXCEPTION FOR BUSINESS-RELATED POLICIES.—This subsection shall not apply in the case of any amount paid to any taxpayer other than the insured if such taxpayer has an insurable interest with respect to the life of the insured by reason of the insured being a director, officer, or employee of the taxpayer or by reason of the insured being financially interested in any trade or business carried on by the taxpayer.

''(5) CROSS REFERENCE.—

**''For inclusion in gross income of excess benefits, see section 91.''**

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts received after December 31, 1995.

**SEC. 6222. TAX TREATMENT OF COMPANIES ISSUING QUALIFIED ACCELERATED DEATH BENEFIT RIDERS.**

(a) QUALIFIED ACCELERATED DEATH BENEFIT RIDERS TREATED AS LIFE INSURANCE.—Section 818 (relating to other definitions and special rules) is amended by adding at the end the following new subsection:

''(g) QUALIFIED ACCELERATED DEATH BENEFIT RIDERS TREATED AS LIFE INSURANCE.—For purposes of this part—

''(1) IN GENERAL.—Any reference to a life insurance contract shall be treated as including a reference to a qualified accelerated death benefit rider on such contract.

''(2) QUALIFIED ACCELERATED DEATH BENEFIT RIDERS.—For purposes of this subsection, the term 'qualified accelerated death benefit rider' means any rider on a life insurance contract if the only payments under the rider are payments meeting the requirements of section 101(g).

''(3) EXCEPTION FOR LONG-TERM CARE RIDERS.—Paragraph (1) shall not apply to any rider which is treated as a long-term care insurance contract under section 7702B.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall take effect on January 1, 1996.

(2) ISSUANCE OF RIDER NOT TREATED AS MATERIAL CHANGE.—For purposes of applying sections 101(f), 7702, and 7702A of the Internal Revenue Code of 1986 to any contract—

(A) the issuance of a qualified accelerated death benefit rider (as defined in section 818(g) of such Code (as added by this Act)), and

(B) the addition of any provision required to conform an accelerated death benefit rider to the requirements of such section 818(g),

shall not be treated as a modification or material change of such contract.

## PART IV—INCLUSION IN GROSS INCOME OF EXCESS LONG-TERM CARE BENEFITS

**SEC. 6231. INCLUSION IN INCOME OF EXCESS LONG-TERM CARE BENEFITS.**

(a) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding at the end the following new section:

**''SEC. 91. EXCESS LONG-TERM CARE BENEFITS.**

''(a) GENERAL RULE.—Notwithstanding any other provision of this title, gross income shall include the amount of excess long-term care benefits received by the taxpayer during the taxable year.

''(b) EXCEPTION FOR TERMINALLY ILL INDIVIDUALS.—Subsection (a) shall not apply to any long-term care benefit paid by reason of an insured who is a terminally ill individual (as defined in section 101(g)) as of the date the benefit is received.

''(c) EXCESS LONG-TERM CARE BENEFITS.—For purposes of this section—

''(1) IN GENERAL.—The term 'excess long-term care benefits' means the excess (if any) of—

''(A) the value of the long-term care benefits received by the taxpayer during the taxable year, over

''(B) the exclusion amount applicable to such benefits.

''(2) LONG-TERM CARE BENEFITS.—The term 'long-term care benefits' means—

''(A) payments and other benefits under long-term care insurance contracts (as defined in section 7702B(b)) to the extent excludable from gross income by reason of section 7702B(a)(2), and

''(B) payments which are excludable from gross income by reason of section 101(g).

''(3) EXCLUSION AMOUNT.—

''(A) IN GENERAL.—In the case of long-term care benefits received by the taxpayer during the taxable year by reason of the taxpayer being a chronically ill individual, the term 'exclusion amount' means the aggregate of $200 for each day during such year on which the individual is a chronically ill individual. In the case of individuals who are married to each other and who are both chronically ill individuals, the preceding sentence shall be applied separately with respect to each spouse.

''(B) OTHER TAXPAYERS.—In the case of long-term care benefits received during the taxable year by a taxpayer by reason of another individual being a chronically ill individual, the term 'exclusion amount' means so much of such other individual's exclusion amount (for such other individual's taxable year which begins in the calendar year in which the taxpayer's taxable year begins) as is allocated by such other individual to the taxpayer. Such an allocation shall be made at the time and in the manner prescribed by the Secretary; and once made, shall be irrevocable.

''(d) CHRONICALLY ILL INDIVIDUAL.—For purposes of this section, the term 'chronically ill individual' has the meaning given to such term by section 7702B(c)(2).

''(e) INFLATION ADJUSTMENT OF $200 BENEFIT LIMIT.—In the case of a calendar year after 1996, the $200 amount contained in subsection (c)(3)(A) shall be increased at the same time and in the same manner as amounts are increased pursuant to section 213(d)(11).''

(b) CLERICAL AMENDMENT.—The table of sections for such part II is amended by adding at the end the following new item:

''Sec. 91. Excess long-term care benefits.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6232. REPORTING REQUIREMENTS.**

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by adding at the end the following new section:

**''SEC. 6050Q. CERTAIN LONG-TERM CARE BENEFITS.**

''(a) REQUIREMENT OF REPORTING.—Any person who pays long-term care benefits shall make a return, according to the forms or regulations prescribed by the Secretary, setting forth—

''(1) the aggregate amount of such benefits paid by such person to any individual during any calendar year, and

''(2) the name, address, and TIN of such individual.

''(b) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

''(1) the name of the person making the payments, and

''(2) the aggregate amount of long-term care benefits paid to the individual which are required to be shown on such return.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

''(c) LONG-TERM CARE BENEFITS.—For purposes of this section, the term 'long-term care benefit' has the meaning given such term by section 91(c).''

(b) PENALTIES.—

(1) Subparagraph (B) of section 6724(d)(1) is amended by redesignating clauses (ix) through (xiv) as clauses (x) through (xv), respectively, and by inserting after clause (viii) the following new clause:

''(ix) section 6050Q (relating to certain long-term care benefits),''.

(2) Paragraph (2) of section 6724(d) is amended by redesignating subparagraphs (Q) through (T) as subparagraphs (R) through (U), respectively, and by inserting after subparagraph (P) the following new subparagraph:

''(Q) section 6050Q(b) (relating to certain long-term care benefits),''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end the following new item:

''Sec. 6050Q. Certain long-term care benefits.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits paid after December 31, 1995.

## Subtitle C—Job Creation and Wage Enhancement

## PART I—CAPITAL GAINS REFORM

### Subpart A—Capital Gains Reduction for Taxpayers Other Than Corporations

**SEC. 6301. CAPITAL GAINS DEDUCTION.**

(a) IN GENERAL.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains), as amended by subsection (d)(1), is amended by inserting after section 1201 the following new section:

**''SEC. 1202. CAPITAL GAINS DEDUCTION.**

''(a) GENERAL RULE.—If for any taxable year a taxpayer other than a corporation has a net capital gain, 50 percent of such gain shall be a deduction from gross income.

''(b) ESTATES AND TRUSTS.—In the case of an estate or trust, the deduction shall be computed by excluding the portion (if any) of the gains for the taxable year from sales or exchanges of capital assets which, under sections 652 and 662 (relating to inclusions of amounts in gross income of beneficiaries of trusts), is includible by the income beneficiaries as gain derived from the sale or exchange of capital assets.

''(c) COORDINATION WITH TREATMENT OF CAPITAL GAIN UNDER LIMITATION ON INVESTMENT INTEREST.—For purposes of this section, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii).

''(d) SPECIAL RULE FOR COLLECTIBLES.—

''(1) IN GENERAL.—At the election of the taxpayer, the rate of tax imposed by section 1 on the excess of—

''(A) the amount which would be the net capital gain for the taxable year without regard to the application of section 1222(12) to collectibles specified in such election, over

''(B) the net capital gain for such year,

shall not exceed 28 percent.

''(2) ELECTION.—Any election under this subsection, and any specification therein, once made, shall be irrevocable.

''(3) COORDINATION WITH INDEXING.—Any collectible specified in such an election shall be treated as not being an indexed asset for purposes of section 1022.

''(e) TRANSITIONAL RULE.—

''(1) IN GENERAL.—In the case of a taxable year which includes January 1, 1995—

''(A) the amount taken into account as the net capital gain under subsection (a) shall not exceed the net capital gain determined by only taking into account gains and losses properly taken into account for the portion of the taxable year on or after January 1, 1995, and

''(B) if the net capital gain for such year exceeds the amount taken into account under subsection (a), the rate of tax imposed by section 1 on such excess shall not exceed 28 percent.

''(2) SPECIAL RULES FOR PASS-THRU ENTITIES.—

''(A) IN GENERAL.—In applying paragraph (1) with respect to any pass-thru entity, the determination of when gains and losses are properly taken into account shall be made at the entity level.

''(B) PASS-THRU ENTITY DEFINED.—For purposes of subparagraph (A), the term 'pass-thru entity' means—

''(i) a regulated investment company,

''(ii) a real estate investment trust,

''(iii) an S corporation,

''(iv) a partnership,

''(v) an estate or trust, and

''(vi) a common trust fund.''

(b) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 is amended by inserting after paragraph (15) the following new paragraph:

''(16) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 1202.''

(c) TREATMENT OF COLLECTIBLES.—

(1) IN GENERAL.—Section 1222 is amended by inserting after paragraph (11) the following new paragraph:

''(12) SPECIAL RULE FOR COLLECTIBLES.—

''(A) IN GENERAL.—Any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

''(B) TREATMENT OF CERTAIN SALES OF INTEREST IN PARTNERSHIP, ETC.—For purposes of subparagraph (A), any gain from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

''(C) COLLECTIBLE.—For purposes of this paragraph, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof).''

(2) CHARITABLE DEDUCTION NOT AFFECTED.—

(A) Paragraph (1) of section 170(e) is amended by adding at the end the following new sentence: ''For purposes of this paragraph, section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles).''

(B) Clause (iv) of section 170(b)(1)(C) is amended by inserting before the period at the end the following: ''and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)''.

(d) TECHNICAL AND CONFORMING CHANGES.—

(1)(A) Section 13113 of the Revenue Reconciliation Act of 1993 (relating to 50-percent exclusion for gain from certain small business stock), and the amendments made by such section, are hereby repealed; and the Internal Revenue Code of 1986 shall be applied as if such section (and amendments) had never been enacted.

(B) At the election of a taxpayer who holds qualified small business stock (as defined in section 1202 of such Code, as in effect on the day before the date of the enactment of this Act) as of such date of enactment—

(i) the provisions repealed by subparagraph (A) shall continue to apply to any disposition by such taxpayer of such stock held on such date, and

(ii) the amendments made by this section and section 6302 shall not apply to such stock; except that losses from the sale or exchange of such stock shall be taken into account as provided in the amendments made by paragraph (13) of this subsection.

Such an election may be made only during the 1-year period beginning on the date of the enactment of this Act and, once made, shall be irrevocable.

(2) Section 1 is amended by striking subsection (h).

(3) Paragraph (1) of section 170(e) is amended by striking ''the amount of gain'' in the material following subparagraph (B)(ii) and inserting ''50 percent (25/35 in the case of a corporation) of the amount of gain''.

(4)(A) Paragraph (2) of section 172(d) is amended to read as follows:

''(2) CAPITAL GAINS AND LOSSES.—

''(A) LOSSES OF TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation, the amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includible on account of gains from sales or exchanges of capital assets.

''(B) DEDUCTION UNDER SECTION 1202.—The deduction under section 1202 shall not be allowed.''

(B) Subparagraph (B) of section 172(d)(4) is amended by striking ''paragraphs (1) and (3)'' and inserting ''paragraphs (1), (2)(B), and (3)''.

(5) The last sentence of section 453A(c)(3) is amended by striking all that follows ''long-term capital gain,'' and inserting ''the maximum rate on net capital gain under section 1201 or the deduction under section 1202 (whichever is appropriate) shall be taken into account.''

(6) Paragraph (4) of section 642(c) is amended to read as follows:

''(4) ADJUSTMENTS.—To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain from the sale or exchange of capital assets held for more than 1 year, proper adjustment shall be made for any deduction allowable to the estate or trust under section 1202 (relating to deduction for excess of capital gains over capital losses). In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income).''

(7) Paragraph (3) of section 643(a) is amended by adding at the end thereof the following new sentence: ''The deduction under section 1202 (relating to deduction of excess of capital gains over capital losses) shall not be taken into account.''

(8) Subparagraph (C) of section 643(a)(6) is amended by inserting ''(i)'' before ''there shall'' and by inserting before the period '', and (ii) the deduction under section 1202 (relating to capital gains deduction) shall not be taken into account''.

(9) Paragraph (4) of section 691(c) is amended by striking ''sections 1(h), 1201, and 1211'' and inserting ''sections 1201, 1202, and 1211''.

(10) The second sentence of section 871(a)(2) is amended by inserting ''such gains and losses shall be determined without regard to section 1202 (relating to deduction for capital gains) and'' after ''except that''.

(11)(A) Paragraph (2) of section 904(b) is amended by striking subparagraph (A), by redesignating subparagraph (B) as subparagraph (A), and by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

''(B) OTHER TAXPAYERS.—In the case of a taxpayer other than a corporation, taxable income from sources outside the United States shall include gain from the sale or exchange of capital assets only to the extent of foreign source capital gain net income.''

(B) Subparagraph (A) of section 904(b)(2), as so redesignated, is amended—

(i) by striking all that precedes clause (i) and inserting the following:

''(A) CORPORATIONS.—In the case of a corporation—'', and

(ii) by striking in clause (i) ''in lieu of applying subparagraph (A),''.

(C) Paragraph (3) of section 904(b) is amended by striking subparagraphs (D) and (E) and inserting the following new subparagraph:

''(D) RATE DIFFERENTIAL PORTION.—The rate differential portion of foreign source net capital gain, net capital gain, or the excess of net capital gain from sources within the United States over net capital gain, as the case may be, is the same proportion of such amount as the excess of the highest rate of tax specified in section 11(b) over the alternative rate of tax under section 1201(a) bears to the alternative rate of tax under section 1201(a).''

(12) Subsection (d) of section 1044 is amended by striking the last sentence.

(13)(A) Paragraph (2) of section 1211(b) is amended to read as follows:

''(2) the sum of—

''(A) the excess of the net short-term capital loss over the net long-term capital gain, and

''(B) one-half of the excess of the net long-term capital loss over the net short-term capital gain.''

(B) So much of paragraph (2) of section 1212(b) as precedes subparagraph (B) thereof is amended to read as follows:

''(2) SPECIAL RULES.—

''(A) ADJUSTMENTS.—

''(i) For purposes of determining the excess referred to in paragraph (1)(A), there shall be treated as short-term capital gain in the taxable year an amount equal to the lesser of—

''(I) the amount allowed for the taxable year under paragraph (1) or (2) of section 1211(b), or

''(II) the adjusted taxable income for such taxable year.

''(ii) For purposes of determining the excess referred to in paragraph (1)(B), there shall be treated as short-term capital gain in the taxable year an amount equal to the sum of—

''(I) the amount allowed for the taxable year under paragraph (1) or (2) of section 1211(b) or the adjusted taxable income for such taxable year, whichever is the least, plus

''(II) the excess of the amount described in subclause (I) over the net short-term capital loss (determined without regard to this subsection) for such year.''

(C) Subsection (b) of section 1212 is amended by adding at the end the following new paragraph:

''(3) TRANSITIONAL RULE.—In the case of any amount which, under paragraph (1) and section 1211(b) (as in effect for taxable years beginning before January 1, 1996), is treated as a capital loss in the first taxable year beginning after December 31, 1995, paragraph (1) and section 1211(b) (as so in effect) shall apply (and paragraph (1) and section 1211(b) as in effect for taxable years beginning after December 31, 1995, shall not apply) to the extent such amount exceeds the total of any net capital gains (determined without regard to this subsection) of taxable years beginning after December 31, 1995.''

(14) Paragraph (1) of section 1402(i) is amended by inserting '', and the deduction provided by section 1202 shall not apply'' before the period at the end thereof.

(15) Subsection (e) of section 1445 is amended—

(A) in paragraph (1) by striking ''35 percent (or, to the extent provided in regulations, 28 percent)'' and inserting ''25 percent (or, to

the extent provided in regulations, 19.8 percent)'', and

(B) in paragraph (2) by striking ''35 percent'' and inserting ''25 percent''.

(16)(A) The second sentence of section 7518(g)(6)(A) is amended—

(i) by striking ''during a taxable year to which section 1(h) or 1201(a) applies'', and

(ii) by striking ''28 percent (34 percent'' and inserting ''19.8 percent (25 percent''.

(B) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936 is amended—

(i) by striking ''during a taxable year to which section 1(h) or 1201(a) of such Code applies'', and

(ii) by striking ''28 percent (34 percent'' and inserting ''19.8 percent (25 percent''.

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter P of chapter 1 is amended by inserting after the item relating to section 1201 the following new item:

''Sec. 1202. Capital gains deduction.''

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after December 31, 1994.

(2) CONTRIBUTIONS.—The amendment made by subsection (d)(3) shall apply to contributions on or after January 1, 1995.

(3) USE OF LONG-TERM LOSSES.—The amendments made by subsection (d)(13) shall apply to taxable years beginning after December 31, 1995.

(4) WITHHOLDING.—The amendment made by subsection (d)(15) shall apply only to amounts paid after the date of the enactment of this Act.

**SEC. 6302. INDEXING OF CERTAIN ASSETS ACQUIRED AFTER DECEMBER 31, 1994, FOR PURPOSES OF DETERMINING GAIN.**

(a) IN GENERAL.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

**''SEC. 1022. INDEXING OF CERTAIN ASSETS ACQUIRED AFTER DECEMBER 31, 1994, FOR PURPOSES OF DETERMINING GAIN.**

''(a) GENERAL RULE.—

''(1) INDEXED BASIS SUBSTITUTED FOR ADJUSTED BASIS.—Solely for purposes of determining gain on the sale or other disposition by a taxpayer (other than a corporation) of an indexed asset which has been held for more than 3 years, the indexed basis of the asset shall be substituted for its adjusted basis.

''(2) EXCEPTION FOR DEPRECIATION, ETC.—The deductions for depreciation, depletion, and amortization shall be determined without regard to the application of paragraph (1) to the taxpayer or any other person.

''(b) INDEXED ASSET.—

''(1) IN GENERAL.—For purposes of this section, the term 'indexed asset' means—

''(A) common stock in a C corporation (other than a foreign corporation), and

''(B) tangible property,

which is a capital asset or property used in the trade or business (as defined in section 1231(b)).

''(2) STOCK IN CERTAIN FOREIGN CORPORATIONS INCLUDED.—For purposes of this section—

''(A) IN GENERAL.—The term 'indexed asset' includes common stock in a foreign corporation which is regularly traded on an established securities market.

''(B) EXCEPTION.—Subparagraph (A) shall not apply to—

''(i) stock of a foreign investment company (within the meaning of section 1246(b)),

''(ii) stock in a passive foreign investment company (as defined in section 1296),

''(iii) stock in a foreign corporation held by a United States person who meets the requirements of section 1248(a)(2), and

''(iv) stock in a foreign personal holding company (as defined in section 552).

''(C) TREATMENT OF AMERICAN DEPOSITORY RECEIPTS.—An American depository receipt for common stock in a foreign corporation shall be treated as common stock in such corporation.

''(c) INDEXED BASIS.—For purposes of this section—

''(1) GENERAL RULE.—The indexed basis for any asset is—

''(A) the adjusted basis of the asset, increased by

''(B) the applicable inflation adjustment.

''(2) APPLICABLE INFLATION ADJUSTMENT.—The applicable inflation adjustment for any asset is an amount equal to—

''(A) the adjusted basis of the asset, multiplied by

''(B) the percentage (if any) by which—

''(i) the gross domestic product deflator for the last calendar quarter ending before the asset is disposed of, exceeds

''(ii) the gross domestic product deflator for the last calendar quarter ending before the asset was acquired by the taxpayer.

The percentage under subparagraph (B) shall be rounded to the nearest 1/10 of 1 percentage point.

''(3) GROSS DOMESTIC PRODUCT DEFLATOR.—The gross domestic product deflator for any calendar quarter is the implicit price deflator for the gross domestic product for such quarter (as shown in the last revision thereof released by the Secretary of Commerce before the close of the following calendar quarter).

''(d) SUSPENSION OF HOLDING PERIOD WHERE DIMINISHED RISK OF LOSS; TREATMENT OF SHORT SALES.—

''(1) IN GENERAL.—If the taxpayer (or a related person) enters into any transaction which substantially reduces the risk of loss from holding any asset, such asset shall not be treated as an indexed asset for the period of such reduced risk.

''(2) SHORT SALES.—

''(A) IN GENERAL.—In the case of a short sale of an indexed asset with a short sale period in excess of 3 years, for purposes of this title, the amount realized shall be an amount equal to the amount realized (determined without regard to this paragraph) increased by the applicable inflation adjustment. In applying subsection (c)(2) for purposes of the preceding sentence, the date on which the property is sold short shall be treated as the date of acquisition and the closing date for the sale shall be treated as the date of disposition.

''(B) SHORT SALE PERIOD.—For purposes of subparagraph (A), the short sale period begins on the day that the property is sold and ends on the closing date for the sale.

''(e) TREATMENT OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

''(1) ADJUSTMENTS AT ENTITY LEVEL.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the adjustment under subsection (a) shall be allowed to any qualified investment entity (including for purposes of determining the earnings and profits of such entity).

''(B) EXCEPTION FOR CORPORATE SHAREHOLDERS.—Under regulations—

''(i) in the case of a distribution by a qualified investment entity (directly or indirectly) to a corporation—

''(I) the determination of whether such distribution is a dividend shall be made without regard to this section, and

''(II) the amount treated as gain by reason of the receipt of any capital gain dividend shall be increased by the percentage by which the entity's net capital gain for the taxable year (determined without regard to this section) exceeds the entity's net capital gain for such year determined with regard to this section, and

''(ii) there shall be other appropriate adjustments (including deemed distributions) so as to ensure that the benefits of this section are not allowed (directly or indirectly) to corporate shareholders of qualified investment entities.

For purposes of the preceding sentence, any amount includible in gross income under section 852(b)(3)(D) shall be treated as a capital gain dividend and an S corporation shall not be treated as a corporation.

''(C) EXCEPTION FOR QUALIFICATION PURPOSES.—This section shall not apply for purposes of sections 851(b) and 856(c).

''(D) EXCEPTION FOR CERTAIN TAXES IMPOSED AT ENTITY LEVEL.—

''(i) TAX ON FAILURE TO DISTRIBUTE ENTIRE GAIN.—If any amount is subject to tax under section 852(b)(3)(A) for any taxable year, the amount on which tax is imposed under such section shall be increased by the percentage determined under subparagraph (B)(i)(II). A similar rule shall apply in the case of any amount subject to tax under paragraph (2) or (3) of section 857(b) to the extent attributable to the excess of the net capital gain over the deduction for dividends paid determined with reference to capital gain dividends only. The first sentence of this clause shall not apply to so much of the amount subject to tax under section 852(b)(3)(A) as is designated by the company under section 852(b)(3)(D).

''(ii) OTHER TAXES.—This section shall not apply for purposes of determining the amount of any tax imposed by paragraph (4), (5), or (6) of section 857(b).

''(2) ADJUSTMENTS TO INTERESTS HELD IN ENTITY.—

''(A) REGULATED INVESTMENT COMPANIES.—Stock in a regulated investment company (within the meaning of section 851) shall be an indexed asset for any calendar quarter in the same ratio as—

''(i) the average of the fair market values of the indexed assets held by such company at the close of each month during such quarter, bears to

''(ii) the average of the fair market values of all assets held by such company at the close of each such month.

''(B) REAL ESTATE INVESTMENT TRUSTS.—Stock in a real estate investment trust (within the meaning of section 856) shall be an indexed asset for any calendar quarter in the same ratio as—

''(i) the fair market value of the indexed assets held by such trust at the close of such quarter, bears to

''(ii) the fair market value of all assets held by such trust at the close of such quarter.

''(C) RATIO OF 80 PERCENT OR MORE.—If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 80 percent or more, such ratio for such quarter shall be 100 percent.

''(D) RATIO OF 20 PERCENT OR LESS.—If the ratio for any calendar quarter determined under subparagraph (A) or (B) would (but for this subparagraph) be 20 percent or less, such ratio for such quarter shall be zero.

''(E) LOOK-THRU OF PARTNERSHIPS.—For purposes of this paragraph, a qualified investment entity which holds a partnership interest shall be treated (in lieu of holding a partnership interest) as holding its proportionate share of the assets held by the partnership.

''(3) TREATMENT OF RETURN OF CAPITAL DISTRIBUTIONS.—Except as otherwise provided

by the Secretary, a distribution with respect to stock in a qualified investment entity which is not a dividend and which results in a reduction in the adjusted basis of such stock shall be treated as allocable to stock acquired by the taxpayer in the order in which such stock was acquired.

''(4) QUALIFIED INVESTMENT ENTITY.—For purposes of this subsection, the term 'qualified investment entity' means—

''(A) a regulated investment company (within the meaning of section 851), and

''(B) a real estate investment trust (within the meaning of section 856).

''(f) OTHER PASS-THRU ENTITIES.—

''(1) PARTNERSHIPS.—

''(A) IN GENERAL.—In the case of a partnership, the adjustment made under subsection (a) at the partnership level shall be passed through to the partners.

''(B) SPECIAL RULE IN THE CASE OF SECTION 754 ELECTIONS.—In the case of a transfer of an interest in a partnership with respect to which the election provided in section 754 is in effect—

''(i) the adjustment under section 743(b)(1) shall, with respect to the transferor partner, be treated as a sale of the partnership assets for purposes of applying this section, and

''(ii) with respect to the transferee partner, the partnership's holding period for purposes of this section in such assets shall be treated as beginning on the date of such adjustment.

''(2) S CORPORATIONS.—In the case of an S corporation, the adjustment made under subsection (a) at the corporate level shall be passed through to the shareholders. This section shall not apply for purposes of determining the amount of any tax imposed by section 1374 or 1375.

''(3) COMMON TRUST FUNDS.—In the case of a common trust fund, the adjustment made under subsection (a) at the trust level shall be passed through to the participants.

''(4) INDEXING ADJUSTMENT DISREGARDED IN DETERMINING LOSS ON SALE OF INTEREST IN ENTITY.—Notwithstanding the preceding provisions of this subsection, for purposes of determining the amount of any loss on a sale or exchange of an interest in a partnership, S corporation, or common trust fund, the adjustment made under subsection (a) shall not be taken into account in determining the adjusted basis of such interest.

''(g) DISPOSITIONS BETWEEN RELATED PERSONS.—

''(1) IN GENERAL.—This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

''(2) RELATED PERSONS DEFINED.—For purposes of this section, the term 'related persons' means—

''(A) persons bearing a relationship set forth in section 267(b), and

''(B) persons treated as single employer under subsection (b) or (c) of section 414.

''(h) TRANSFERS TO INCREASE INDEXING ADJUSTMENT.—If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is to secure or increase an adjustment under subsection (a), the Secretary may disallow part or all of such adjustment or increase.

''(i) SPECIAL RULES.—For purposes of this section—

''(1) TREATMENT OF IMPROVEMENTS, ETC.—If there is an addition to the adjusted basis of any tangible property or of any stock in a corporation during the taxable year by reason of an improvement to such property or a contribution to capital of such corporation—

''(A) such addition shall never be taken into account under subsection (c)(1)(A) if the aggregate amount thereof during the taxable year with respect to such property or stock is less than $1,000, and

''(B) such addition shall be treated as a separate asset acquired at the close of such taxable year if the aggregate amount thereof during the taxable year with respect to such property or stock is $1,000 or more.

A rule similar to the rule of the preceding sentence shall apply to any other portion of an asset to the extent that separate treatment of such portion is appropriate to carry out the purposes of this section.

''(2) ASSETS WHICH ARE NOT INDEXED ASSETS THROUGHOUT HOLDING PERIOD.—The applicable inflation ratio shall be appropriately reduced for periods during which the asset was not an indexed asset.

''(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a corporation which is not a dividend shall be treated as a disposition.

''(4) ACQUISITION DATE WHERE THERE HAS BEEN PRIOR APPLICATION OF SUBSECTION (a)(1) WITH RESPECT TO THE TAXPAYER.—If there has been a prior application of subsection (a)(1) to an asset while such asset was held by the taxpayer, the date of acquisition of such asset by the taxpayer shall be treated as not earlier than the date of the most recent such prior application.

''(5) COLLAPSIBLE CORPORATIONS.—The application of section 341(a) (relating to collapsible corporations) shall be determined without regard to this section.

''(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

''Sec. 1022. Indexing of certain assets acquired after December 31, 1994, for purposes of determining gain.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to the disposition of any property the holding period of which begins after December 31, 1994.

(2) CERTAIN TRANSACTIONS BETWEEN RELATED PERSONS.—The amendments made by this section shall not apply to the disposition of any property acquired after December 31, 1994, from a related person (as defined in section 1022(g)(2) of the Internal Revenue Code of 1986, as added by this section) if—

(A) such property was so acquired for a price less than the property's fair market value, and

(B) the amendments made by this section did not apply to such property in the hands of such related person.

(d) ELECTION TO RECOGNIZE GAIN ON ASSETS HELD ON JANUARY 1, 1995.—For purposes of the Internal Revenue Code of 1986—

(1) IN GENERAL.—A taxpayer other than a corporation may elect to treat—

(A) any readily tradable stock (which is an indexed asset) held by such taxpayer on January 1, 1995, and not sold before the next business day after such date, as having been sold on such next business day for an amount equal to its closing market price on such next business day (and as having been reacquired on such next business day for an amount equal to such closing market price), and

(B) any other indexed asset held by the taxpayer on January 1, 1995, as having been sold on such date for an amount equal to its fair market value on such date (and as having been reacquired on such date for an amount equal to such fair market value).

(2) TREATMENT OF GAIN OR LOSS.—

(A) Any gain resulting from an election under paragraph (1) shall be treated as received or accrued on the date the asset is treated as sold under paragraph (1) and shall be recognized notwithstanding any provision of the Internal Revenue Code of 1986.

(B) Any loss resulting from an election under paragraph (1) shall not be allowed for any taxable year.

(3) ELECTION.—An election under paragraph (1) shall be made in such manner as the Secretary may prescribe and shall specify the assets for which such election is made. Such an election, once made with respect to any asset, shall be irrevocable.

(4) READILY TRADABLE STOCK.—For purposes of this subsection, the term ''readily tradable stock'' means any stock which, as of January 1, 1995, is readily tradable on an established securities market or otherwise.

(e) TREATMENT OF PRINCIPAL RESIDENCES.—Property held and used by the taxpayer on January 1, 1995, as his principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986) shall be treated—

(1) for purposes of subsection (c)(1) of this section and section 1022 of such Code, as having a holding period which begins on January 1, 1995, and

(2) for purposes of section 1022(c)(2)(B)(ii) of such Code, as having been acquired on January 1, 1995.

Subsection (d) shall not apply to property to which this subsection applies.

## Subpart B—Capital Gains Reduction for Corporations

### SEC. 6311. REDUCTION OF ALTERNATIVE CAPITAL GAIN TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 1201 is amended to read as follows:

### ''SEC. 1201. ALTERNATIVE TAX FOR CORPORATIONS.

''(a) GENERAL RULE.—If for any taxable year a corporation has a net capital gain, then, in lieu of the tax imposed by sections 11, 511, and 831 (a) and (b) (whichever is applicable), there is hereby imposed a tax (if such tax is less than the tax imposed by such sections) which shall consist of the sum of—

''(1) a tax computed on the taxable income reduced by the amount of the net capital gain, at the rates and in the manner as if this subsection had not been enacted, plus

''(2) a tax of 25 percent of the net capital gain.

''(b) TRANSITIONAL RULE.—

''(1) IN GENERAL.—In the case of any taxable year ending after December 31, 1994, and beginning before January 1, 1996, subsection (a)(2) shall be applied as if it read as follows:

'' '(2)(A) a tax of 25 percent of the lesser of—

'' '(i) the net capital gain for the taxable year, or

'' '(ii) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year after December 31, 1994, plus

'' '(B) a tax of 35 percent of the excess (if any) of—

'' '(i) the net capital gain for the taxable year, over

'' '(ii) the amount of net capital gain taken into account under subparagraph (A).'

''(2) SPECIAL RULE FOR PASS-THRU ENTITIES.—Section 1202(e)(2) shall apply for purposes of paragraph (1).

''(c) CROSS REFERENCES.—

**''For computation of the alternative tax—**

**''(1) in the case of life insurance companies, see section 801(a)(2),**

**''(2) in the case of regulated investment companies and their shareholders, see section 852(b)(3)(A) and (D), and**

**''(3) in the case of real estate investment trusts, see section 857(b)(3)(A).''**

(b) TECHNICAL AMENDMENT.—Clause (iii) of section 852(b)(3)(D) is amended by striking ''65 percent'' and inserting ''75 percent''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1994.

**Subpart C—Capital Loss Deduction Allowed With Respect to Sale or Exchange of Principal Residence**

**SEC. 6316. CAPITAL LOSS DEDUCTION ALLOWED WITH RESPECT TO SALE OR EXCHANGE OF PRINCIPAL RESIDENCE.**

(a) IN GENERAL.—Subsection (c) of section 165 (relating to limitation on losses of individuals) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ''; and'', and by adding at the end the following new paragraph:

''(4) losses arising from the sale or exchange of the principal residence (within the meaning of section 1034) of the taxpayer.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to sales and exchanges after December 31, 1994, in taxable years ending after such date.

**PART II—COST RECOVERY PROVISIONS**

**SEC. 6321. DEPRECIATION ADJUSTMENT FOR CERTAIN PROPERTY PLACED IN SERVICE AFTER DECEMBER 31, 1994.**

(a) IN GENERAL.—Section 168 (relating to accelerated cost recovery system) is amended by adding at the end thereof the following new subsection:

''(k) DEDUCTION ADJUSTMENT TO ALLOW EQUIVALENT OF EXPENSING FOR CERTAIN PROPERTY PLACED IN SERVICE AFTER DECEMBER 31, 1994.—

''(1) IN GENERAL.—In the case of tangible property placed in service after December 31, 1994, the deduction under this section with respect to such property—

''(A) shall be determined by substituting '150 percent' for '200 percent' in subsection (b)(1) in the case of property to which the 200 percent declining balance method would otherwise apply, and

''(B) for any taxable year after the taxable year during which the property is placed in service shall be—

''(i) the amount determined under this section for such taxable year without regard to this subparagraph, multiplied by

''(ii) the applicable neutral cost recovery ratio for such taxable year.

''(2) APPLICABLE NEUTRAL COST RECOVERY RATIO.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The applicable neutral cost recovery ratio for the property for any taxable year is the number determined by—

''(i) dividing—

''(I) the gross domestic product deflator for the calendar quarter which includes the mid-point of the taxable year, by

''(II) the gross domestic product deflator for the calendar quarter which includes the mid-point of the taxable year in which the property was placed in service by the taxpayer, and

''(ii) then multiplying the number determined under clause (i) by the number equal to 1.035 to the nth power where 'n' is the number of full years (as of the close of the taxable year referred to in clause (i)(I)) after the date such property was placed in service.

The applicable neutral cost recovery ratio shall never be less than 1. The applicable neutral cost recovery ratio shall be rounded to the nearest 1/1000.

''(B) SPECIAL RULE FOR CERTAIN PROPERTY.—In the case of property described in paragraph (2) or (3) of subsection (b) or in subsection (g), the applicable neutral cost recovery ratio shall be determined without regard to subparagraph (A)(ii).

''(3) GROSS DOMESTIC PRODUCT DEFLATOR.—For purposes of paragraph (2), the gross domestic product deflator for any calendar quarter is the implicit price deflator for the gross domestic product for such quarter (as shown in the last revision thereof released by the Secretary of Commerce before the close of the following calendar quarter).

''(4) COORDINATION WITH INDEXING OF BASIS FOR PURPOSES OF DETERMINING GAIN.—Section 1022 shall not apply to any property to which this subsection applies.

''(5) ELECTION NOT TO HAVE SUBSECTION APPLY.—This subsection shall not apply to any property if the taxpayer elects not to have this subsection apply to such property. Such an election, once made, shall be irrevocable.

''(6) CHURNING TRANSACTIONS.—This subsection shall not apply to any property if this section would not apply to such property were—

''(A) subsection (f)(5)(A)(ii) applied by substituting '1995' for '1987' and '1994' for '1986', and

''(B) subsection (f)(5)(B) not applied.

''(7) ADDITIONAL DEDUCTION NOT TO AFFECT BASIS OR RECAPTURE.—The additional amount determined under this section by reason of this subsection shall not be taken into account in determining the adjusted basis of any property or of any interest in a pass-thru entity (as defined in section 1202(e)(2)) which holds such property and shall not be treated as a deduction for depreciation for purposes of sections 1245 and 1250.''

(b) MINIMUM TAX TREATMENT.—

(1) Paragraph (1) of section 56(a) is amended by adding at the end thereof the following new subparagraph:

''(E) USE OF NEUTRAL COST RECOVERY RATIO.—This paragraph shall not apply to property to which section 168(k) applies.''

(2) Clause (i) of section 56(g)(4)(A) is amended by striking ''(a)(1)(A)'' and inserting ''(a)(1)''.

(3) Subparagraph (C) of section 56(g)(4) is amended by adding at the end the following new clause:

''(v) NEUTRAL COST RECOVERY DEDUCTION.—Clause (i) shall not apply to the additional deduction allowable by reason of section 168(k).''

(c) TECHNICAL AMENDMENTS.—

(1) Clause (i) of section 280F(a)(1)(B) is amended by adding at the end the following new sentence: ''For purposes of this clause, the unrecovered basis of any passenger automobile shall be treated as including the additional amount determined under section 168 by reason of subsection (k) thereof to the extent not allowed as a deduction by reason of this paragraph for any taxable year in the recovery period.''

(2) Subparagraph (B) of section 382(h)(2) is amended by adding at the end the following new sentence: ''The amount of the net unrealized built-in loss shall be increased by the amount of the additional deduction allowable by reason of section 168(k) which is treated under the preceding sentence as a recognized built-in loss.''

(3) Subsection (a) of section 465 is amended by adding at the end the following new paragraph:

''(4) TREATMENT OF NEUTRAL COST RECOVERY DEDUCTION.—

''(A) IN GENERAL.—None of the additional deduction allowable by reason of section 168(k) for the taxable year shall be disallowed under paragraph (1) unless there is a disallowed non-NCR loss for such year.

''(B) PROPORTIONATE DISALLOWANCE.—

''(i) IN GENERAL.—If there is a disallowed non-NCR loss for the taxable year, only the disallowed portion of the additional deduction allowable by reason of section 168(k) shall not be allowed under paragraph (1).

''(ii) DISALLOWED PORTION.—For purposes of clause (i), the disallowed portion is the percentage which the disallowed non-NCR loss's allocable share of non-NCR depreciation is of total non-NCR depreciation.

''(iii) ALLOCABLE SHARE.—For purposes of clause (ii), a disallowed non-NCR loss's allocable share of non-NCR depreciation is the amount which bears the same ratio to the amount of the loss as the amount of non-NCR depreciation for the taxable year bears to the total amount of deductions for such taxable year.

''(C) DEFINITIONS.—For purposes of this paragraph—

''(i) DISALLOWED NON-NCR LOSS.—The term 'disallowed non-NCR loss' means, for any taxable year, the amount of the loss from the activity which would be disallowed under paragraph (1) if such loss were determined without regard to the additional deduction allowable by reason of section 168(k).

''(ii) NON-NCR DEPRECIATION.—The term 'non-NCR depreciation' means the amount allowable as a deduction under section 168 without regard to subsection (k) thereof.''

(4) Subparagraph (A) of section 1503(e)(1) is amended by inserting before the comma ''and shall be determined without regard to section 168(k)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1994.

**SEC. 6322. TREATMENT OF ABANDONMENT OF LESSOR IMPROVEMENTS AT TERMINATION OF LEASE.**

(a) IN GENERAL.—Paragraph (8) of section 168(i) is amended to read as follows:

''(8) TREATMENT OF LEASEHOLD IMPROVEMENTS.—

''(A) IN GENERAL.—In the case of any building erected (or improvements made) on leased property, if such building or improvement is property to which this section applies, the depreciation deduction shall be determined under the provisions of this section.

''(B) TREATMENT OF LESSOR IMPROVEMENTS WHICH ARE ABANDONED AT TERMINATION OF LEASE.—An improvement—

''(i) which is made by the lessor of leased property for the lessee of such property, and

''(ii) which is irrevocably disposed of or abandoned by the lessor at the termination of the lease by such lessee,

shall be treated for purposes of determining gain or loss under this title as disposed of by the lessor when so disposed of or abandoned.''

(b) EFFECTIVE DATE.—Subparagraph (B) of section 168(i)(8) of the Internal Revenue Code of 1986, as added by the amendment made by subsection (a), shall apply to improvements disposed of or abandoned after March 13, 1995.

**PART III—ALTERNATIVE MINIMUM TAX RELIEF**

**SEC. 6331. PHASEOUT OF APPLICATION OF ALTERNATIVE MINIMUM TAX TO CORPORATIONS.**

(a) TERMINATION.—Subsection (a) of section 55 is amended by adding at the end the following new flush sentence:

''In the case of a corporation, the tentative minimum tax for any taxable year beginning after December 31, 2000, shall be zero.''

(b) EARLIER TERMINATION OF CERTAIN ADJUSTMENTS FOR ALL TAXPAYERS.—

(1) DEPRECIATION.—Clause (i) of section 56(a)(1)(A) is amended by inserting ''and before March 14, 1995,'' after ''December 31, 1986,''.

(2) MINING EXPLORATION AND DEVELOPMENT COSTS.—Paragraph (2) of section 56(a) is amended by inserting ''and before January 1, 1996,'' after ''December 31, 1986,''.

(3) LONG-TERM CONTRACTS.—Paragraph (3) of section 56(a) is amended by inserting ''and before January 1, 1996,'' after ''March 1, 1986,''.

(4) POLLUTION CONTROL FACILITIES.—Paragraph (5) of section 56(a) is amended by inserting ''and before January 1, 1996,'' after ''December 31, 1986,''.

(5) INSTALLMENT SALES.—Paragraph (6) of section 56(a) is amended by inserting ''and before January 1, 1996,'' after ''March 1, 1986,''.

(c) EARLIER TERMINATION OF CIRCULATION AND RESEARCH AND EXPERIMENTAL EXPENDITURE ADJUSTMENT FOR INDIVIDUALS.—Subparagraph (A) of section 56(b)(2) is amended by inserting ''and before January 1, 1996,'' after ''December 31, 1986,''.

(d) EARLIER TERMINATION OF CERTAIN ADJUSTMENTS FOR CORPORATIONS.—

(1) MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS.—Paragraph (2) of section 56(c) is amended—

(A) by inserting ''and before January 1, 1996,'' after ''December 31, 1986,'' each place it appears, and

(B) by striking the last sentence and inserting the following new flush sentence:

''For purposes of this paragraph, any withdrawal of deposit or earnings from the fund shall be treated as allocable to deposits made, and earnings received or accrued, in the order in which made, received, or accrued.''

(2) SECTION 833(b) DEDUCTION.—Paragraph (3) of section 56(c) is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any taxable year beginning after December 31, 1995.''

(3) CERTAIN EARNINGS AND PROFITS ITEMS.—

(A) Subparagraph (B) of section 56(g)(4) is amended by adding at the end the following new clause:

''(iii) TERMINATION.—This subparagraph shall not apply to any taxable year beginning after December 31, 1995.''

(B) Subparagraph (C) of section 56(g)(4) is amended by adding at the end the following new clause:

''(vi) TERMINATION.—This subparagraph shall not apply to any taxable year beginning after December 31, 1995.''

(4) INTANGIBLE DRILLING COSTS.—Clause (i) of section 56(g)(4)(D) is amended by adding at the end the following new sentence: ''This clause shall not apply to any taxable year beginning after December 31, 1995.''

(5) CERTAIN AMORTIZATION PROVISIONS.—Clause (ii) of section 56(g)(4)(D) is amended by adding at the end the following new sentence: ''This clause shall not apply to any expenditure paid or incurred after December 31, 1995.''

(6) LIFO INVENTORY ADJUSTMENTS.—Clause (iii) of section 56(g)(4)(D) is amended by adding at the end the following new sentence: ''This clause shall not apply to any adjustment arising in a taxable year beginning after December 31, 1995.''

(7) INSTALLMENT SALES.—Clause (iv) of section 56(g)(4)(D) is amended by adding at the end the following new sentence: ''This clause shall not apply to any disposition after December 31, 1995.''

(8) DEBT POOLS.—Subparagraph (E) of section 56(g)(4) is amended by adding at the end the following new sentence: ''This subparagraph shall not apply to any exchange after December 31, 1995.''

(9) DEPLETION.—Subparagraph (F) of section 56(g)(4) is amended by adding at the end the following new clause:

''(iii) TERMINATION.—This subparagraph shall not apply to any deduction for depletion for any taxable year beginning after December 31, 1995.''

(10) OWNERSHIP CHANGES.—Subparagraph (G) of section 56(g)(4) is amended by adding at the end the following new sentence: ''This subparagraph shall not apply to any ownership change after December 31, 1995.''

(e) EARLIER TERMINATION OF ITEMS OF TAX PREFERENCE.—

(1) DEPLETION.—Paragraph (1) of section 57(a) is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any taxable year beginning after December 31, 1995.''

(2) INTANGIBLE DRILLING COSTS.—Paragraph (2) of section 57(a) is amended by adding at the end the following new subparagraph:

''(F) TERMINATION.—This paragraph shall not apply to any taxable year beginning after December 31, 1995.''

(3) RESERVES FOR LOSSES ON BAD DEBTS.—Paragraph (4) of section 57(a) is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any taxable year beginning after December 31, 1995.''

(4) TAX-EXEMPT INTEREST.—Paragraph (5) of section 57(a) is amended by adding at the end the following new subparagraph:

''(D) TERMINATION FOR CORPORATIONS.—In the case of a corporation (other than a corporation referred to in section 56(g)(6)), this paragraph shall not apply to interest accruing for periods after December 31, 1995.''

(f) NET OPERATING LOSS DEDUCTION.—Paragraph (1) of section 56(d) is amended by inserting ''(100 percent in the case of taxable years beginning after December 31, 1995)'' after ''90 percent'' each place it appears.

(g) LOSSES.—

(1) Section 58 is amended by adding at the end the following new subsection:

''(d) TERMINATION.—This section shall not apply to any loss incurred for any taxable year beginning after December 31, 1995.''

(2) Subsection (h) of section 59 is amended by inserting ''469,'' after ''465,''.

(h) FOREIGN TAX CREDIT.—Paragraph (2) of section 59(a) is amended by adding at the end the following new subparagraph:

''(D) TERMINATION.—This paragraph shall not apply to any taxable year beginning after December 31, 1995.''

(i) LIMITATION ON USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—

(1) IN GENERAL.—Subsection (c) of section 53 is amended to read as follows:

''(c) LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed the lesser of—

''(1) the excess (if any) of—

''(A) the regular tax liability of the taxpayer for such taxable year reduced by the sum of the credits allowable under subparts A, B, D, E, and F of this part, over

''(B) the tentative minimum tax for the taxable year, or

''(2) 90 percent of the amount determined under paragraph (1)(A).''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1995.

## PART IV—TAXPAYER DEBT BUY-DOWN

### SEC. 6341. DESIGNATION OF AMOUNTS FOR REDUCTION OF PUBLIC DEBT.

(a) IN GENERAL.—Subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to returns and records) is amended by adding at the end the following new part:

## ''PART IX—DESIGNATION FOR REDUCTION OF PUBLIC DEBT

''Sec. 6097. Designation.

### ''SEC. 6097. DESIGNATION.

''(a) IN GENERAL.—Every individual with adjusted income tax liability for any taxable year may designate that a portion of such liability (not to exceed 10 percent thereof) shall be used to reduce the public debt.

''(b) MANNER AND TIME OF DESIGNATION.—A designation under subsection (a) may be made with respect to any taxable year only at the time of filing the return of tax imposed by chapter 1 for the taxable year. The designation shall be made on the first page of the return or on the page bearing the taxpayer's signature.

''(c) ADJUSTED INCOME TAX LIABILITY.—For purposes of this section, the term 'adjusted income tax liability' means income tax liability (as defined in section 6096(b)) reduced by any amount designated under section 6096 (relating to designation of income tax payments to Presidential Election Campaign Fund).''

(b) CLERICAL AMENDMENT.—The table of parts for such subchapter A is amended by adding at the end the following new item:

''Part IX. Designation for reduction of public debt.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

### SEC. 6342. PUBLIC DEBT REDUCTION TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following new section:

### ''SEC. 9512. PUBLIC DEBT REDUCTION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Public Debt Reduction Trust Fund', consisting of any amount appropriated or credited to the Trust Fund as provided in this section or section 9602(b).

''(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Public Debt Reduction Trust Fund amounts equivalent to the amounts designated under section 6097 (relating to designation for public debt reduction).

''(c) EXPENDITURES.—Amounts in the Public Debt Reduction Trust Fund shall be used by the Secretary of the Treasury for purposes of paying at maturity, or to redeem or buy before maturity, any obligation of the Federal Government included in the public debt (other than an obligation held by the Federal Old-Age and Survivors Insurance Trust Fund, the Civil Service Retirement and Disability Fund, or the Department of Defense Military Retirement Fund). Any obligation which is paid, redeemed, or bought with amounts from the Public Debt Reduction Trust Fund shall be canceled and retired and may not be reissued.''

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter is amended by adding at the end the following new item:

''Sec. 9512. Public Debt Reduction Trust Fund.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act.

### SEC. 6343. TAXPAYER-GENERATED SEQUESTRATION OF FEDERAL SPENDING TO REDUCE THE PUBLIC DEBT.

(a) SEQUESTRATION TO REDUCE THE PUBLIC DEBT.—Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after section 253 the following new section:

### ''SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC DEBT.

''(a) SEQUESTRATION.—Notwithstanding sections 255 and 256, within 15 days after Congress adjourns to end a session, and on the same day as a sequestration (if any) under sections 251, 252, and 253, but after any sequestration of budget-year budgetary resources required by those sections, there

shall be a sequestration equivalent to the estimated aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the calendar year two years before the year in which that session of Congress started, as estimated by the Department of the Treasury on October 1 in the year after the applicable tax year and as modified by the total of (1) any amounts by which net discretionary spending is reduced by legislation below the discretionary spending limits enacted after the enactment of this section related to the fiscal year subject to the sequestration or, in the absence of such limits, any net reduction below discretionary outlays for fiscal year 1995 and (2) the net deficit change that has resulted from all direct spending legislation enacted after the enactment of this section related to the fiscal year subject to the sequestration, as estimated by OMB. Within 5 days after the enactment of any such direct spending legislation, OMB shall estimate the change in spending resulting from that legislation for the 5-fiscal-year period beginning with the first fiscal year for which that legislation becomes effective and transmit a report to the House of Representatives and the Senate containing that estimate. Only the estimated deficit reduction included in the 5-year estimate made at the time the legislation is enacted shall be used for purposes of determining whether there shall be a sequestration under this subsection. Notwithstanding the preceding two sentences, any estimates of direct spending made by OMB under this subsection for any legislation that first takes effect in fiscal year 1995, 1996, or 1997 shall include estimates of the direct spending effects through fiscal year 2002 and those estimates shall be used for purposes of determining whether there shall be a sequestration under this subsection. If the reduction in spending under paragraphs (1) and (2) for a fiscal year is greater than the estimated aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 respecting that fiscal year, then there shall be no sequestration under this section.

''(b) APPLICABILITY.—

''(1) IN GENERAL.—Except as provided by paragraph (2), each account of the United States shall be reduced by a dollar amount calculated by multiplying the level of budgetary resources in that account at that time by the uniform percentage necessary to carry out subsection (a). All obligational authority reduced under this section shall be done in a manner that makes such reductions permanent.

''(2) EXEMPT ACCOUNTS.—(A) No order issued under this part may—

''(i) reduce benefits payable to the old-age and survivors insurance program established under title II of the Social Security Act;

''(ii) reduce payments for net interest (all of major functional category 900); or

''(iii) make any reduction in the following accounts:

''Federal Deposit Insurance Corporation, Bank Insurance Fund;

''Federal Deposit Insurance Corporation, FSLIC Resolution Fund;

''Federal Deposit Insurance Corporation, Savings Association Insurance Fund;

''National Credit Union Administration, credit union share insurance fund; or

''Resolution Trust Corporation.

''(B) The following budget accounts, activities within accounts, or income shall be exempt from sequestration—

''(i) all payments to trust funds from excise taxes or other receipts or collections properly creditable to those trust funds;

''(ii) offsetting receipts and collections;

''(iii) all payments from one Federal direct spending budget account to another Federal budget account; all intragovernmental funds including those from which funding is derived primarily from other Government accounts, except to the extent that such funds are augmented by direct appropriations for the fiscal year for which the order is in effect; and those obligations of discretionary accounts or activities that are financed by intragovernmental payments from another discretionary account or activity;

''(iv) expenses to the extent they result from private donations, bequests, or voluntary contributions to the Government;

''(v) nonbudgetary activities, including but not limited to—

''(I) credit liquidating and financing accounts;

''(II) the Pension Benefit Guarantee Corporation Trust Funds;

''(III) the Thrift Savings Fund;

''(IV) the Federal Reserve System; and

''(V) appropriations for the District of Columbia to the extent they are appropriations of locally raised funds;

''(vi) payments resulting from Government insurance, Government guarantees, or any other form of contingent liability, to the extent those payments result from contractual or other legally binding commitments of the Government at the time of any sequestration;

''(vii) the following accounts, which largely fulfill requirements of the Constitution or otherwise make payments to which the Government is committed—

''Administration of Territories, Northern Mariana Islands Covenant grants (14–0412–0–1–806);

''Bureau of Indian Affairs, miscellaneous payments to Indians (14–2303–0–1–452);

''Bureau of Indian Affairs, miscellaneous trust funds, tribal trust funds (14–9973–0–7–999);

''Claims, defense;

''Claims, judgments, and relief act (20–1895–0–1–806);

''Compact of Free Association, economic assistance pursuant to Public Law 99–658 (14–0415–0–1–806);

''Compensation of the President (11–0001–0–1–802);

''Customs Service, miscellaneous permanent appropriations (20–9992–0–2–852);

''Eastern Indian land claims settlement fund (14–2202–0–1–806);

''Farm Credit System Financial Assistance Corporation, interest payments (20–1850–0–1–351);

''Internal Revenue collections of Puerto Rico (20–5737–0–2–852);

''Panama Canal Commission, operating expenses and capital outlay (95–5190–0–2–403);

''Payments of Vietnam and USS Pueblo prisoner-of-war claims (15–0104–0–1–153);

''Payments to copyright owners (03–5175–0–2–376);

''Payments to the United States territories, fiscal assistance (14–0418–0–1–801);

''Salaries of Article III judges;

''Soldier's and Airmen's Home, payment of claims (84–8930–0–7–705);

''Washington Metropolitan Area Transit Authority, interest payments (46–0300–0–1–401).

''(viii) the following noncredit special, revolving, or trust-revolving funds—

''Coinage profit fund (20–5811–0–2–803);

''Exchange Stabilization Fund (20–4444–0–3–155);

''Foreign Military Sales trust fund (11–82232–0–7–155); and

''(ix)(I) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act);

''(II) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to the Federal unemployment account pursuant to section 1203 of such Act; and

''(III) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5, United States Code, and funds appropriated or transferred to or otherwise deposited in such Account.

''(3) FEDERAL ADMINISTRATIVE EXPENSES.—

''(A) Administrative expenses incurred by the departments and agencies, including independent agencies, of the Federal Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to any sequestration order, without regard to the exemptions under paragraph (2) and regardless of whether the program, project, activity, or account is self-supporting and does not receive appropriations.

''(B) Payments made by the Federal Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Federal Government for purposes of this section, and shall be subject to sequestration to the extent (and only to the extent) that other payments made by the Federal Government under or in connection with that program, project, activity, or account are subject to that reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by that State under or in connection with the unemployment compensation programs specified in paragraph (2)(ix) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that paragraph.''.

(b) REPORTS.—Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (a), by inserting after the item relating to the GAO compliance report the following:

''October 1 . . . Department of Treasury report to Congress estimating amount of income tax designated pursuant to section 6097 of the Internal Revenue Code of 1986.'';

(2) in subsection (d)(1), by inserting '', and sequestration to reduce the public debt,'';

(3) in subsection (d), by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

''(5) SEQUESTRATION TO REDUCE THE PUBLIC DEBT REPORTS.—The preview reports shall set forth for the budget year estimates for each of the following:

''(A) The aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the calendar year two years before the year in which the budget year begins.

''(B) The amount of reductions required under section 253A and the deficit remaining after those reductions have been made.

''(C) The sequestration percentage necessary to achieve the required reduction in accounts under section 253A(b).''; and

(4) in subsection (g), by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

''(4) SEQUESTRATION TO REDUCE THE PUBLIC DEBT REPORTS.—The final reports shall contain all of the information contained in the public debt taxation designation report required on October 1.''.

(c) EFFECTIVE DATE.—Notwithstanding section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the expiration date set forth in that section shall not

apply to the amendments made by this section. The amendments made by this section shall cease to have any effect after the first fiscal year during which there is no public debt.

**PART V—SMALL BUSINESS INCENTIVES**

**SEC. 6351. COST-OF-LIVING ADJUSTMENTS RELATING TO ESTATE AND GIFT TAX PROVISIONS.**

(a) INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDIT.—

(1) ESTATE TAX CREDIT.—

(A) Subsection (a) of section 2010 (relating to unified credit against estate tax) is amended by striking ''$192,800'' and inserting ''the applicable credit amount''.

(B) Section 2010 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) APPLICABLE CREDIT AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable credit amount is the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were the applicable exclusion amount determined in accordance with the following table:

| **''In the case of estates of decedents dying, and gifts made, during:** | **The applicable exclusion amount is:** |
|---|---|
| 1996 ..... | $700,000 |
| 1997 ..... | $725,000 |
| 1998 or thereafter ..... | $750,000. |

''(2) COST-OF-LIVING ADJUSTMENTS.—In the case of any decedent dying, and gift made, in a calendar year after 1998, the $750,000 amount set forth in paragraph (1) shall be increased by an amount equal to—

''(A) $750,000, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''

(C) Paragraph (1) of section 6018(a) is amended by striking ''$600,000'' and inserting ''the applicable exclusion amount in effect under section 2010(c) (as adjusted under paragraph (2) thereof) for the calendar year which includes the date of death''.

(D) Paragraph (2) of section 2001(c) is amended by striking ''$21,040,000'' and inserting ''the amount at which the average tax rate under this section is 55 percent''.

(E) Subparagraph (A) of section 2102(c)(3) is amended by striking ''$192,800'' and inserting ''the applicable credit amount in effect under section 2010(c) for the calendar year which includes the date of death''.

(2) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of section 2505(a) is amended by striking ''$192,800'' and inserting ''the applicable credit amount in effect under section 2010(c) for such calendar year''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to the estates of decedents dying, and gifts made, after December 31, 1995.

(b) ALTERNATE VALUATION OF CERTAIN FARM, ETC., REAL PROPERTY.—Subsection (a) of section 2032A is amended by adding at the end the following new paragraph:

''(3) INFLATION ADJUSTMENT.—In the case of estates of decedents dying in a calendar year after 1998, the $750,000 amount contained in paragraph (2) shall be increased by an amount equal to—

''(A) $750,000, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''

(c) ANNUAL GIFT TAX EXCLUSION.—Subsection (b) of section 2503 is amended—

(1) by striking the subsection heading and inserting the following:

''(b) EXCLUSIONS FROM GIFTS.—

''(1) IN GENERAL.—'',

(2) by moving the text 2 ems to the right, and

(3) by adding at the end the following new paragraph:

''(2) INFLATION ADJUSTMENT.—In the case of gifts made in a calendar year after 1998, the $10,000 amount contained in paragraph (1) shall be increased by an amount equal to—

''(A) $10,000, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.''

(d) EXEMPTION FROM GENERATION-SKIPPING TAX.—Section 2631 (relating to GST exemption) is amended by adding at the end the following new subsection:

''(c) INFLATION ADJUSTMENT.—In the case of an individual who dies in any calendar year after 1998, the $1,000,000 amount contained in subsection (a) shall be increased by an amount equal to—

''(1) $1,000,000, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''

(e) AMOUNT OF TAX ELIGIBLE FOR 4 PERCENT INTEREST RATE ON EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX ON CLOSELY HELD BUSINESS.—

(1) Subparagraph (A) of section 6601(j)(2) is amended by striking ''$345,800'' and inserting ''the applicable limitation amount''.

(2) Subsection (j) of section 6601 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) APPLICABLE LIMITATION AMOUNT.—

''(A) IN GENERAL.—For purposes of paragraph (2), the applicable limitation amount is the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were $1,000,000.

''(B) INFLATION ADJUSTMENT.—In the case of estates of decedents dying in a calendar year after 1998, the $1,000,000 amount contained in subparagraph (A) shall be increased by an amount equal to—

''(i) $1,000,000, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''

**SEC. 6352. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.**

(a) GENERAL RULE.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed the following applicable amount:

| **''If the taxable year begins in:** | **The applicable amount is:** |
|---|---|
| 1996 ..... | $22,500 |
| 1997 ..... | 27,500 |
| 1998 ..... | 32,500 |
| 1999 or thereafter ..... | 35,000.'' |

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1995.

**SEC. 6353. CLARIFICATION OF TREATMENT OF HOME OFFICE USE FOR ADMINISTRATIVE AND MANAGEMENT ACTIVITIES.**

(a) IN GENERAL.—Paragraph (1) of section 280A(c) is amended by adding at the end the following new sentence: ''For purposes of subparagraph (A), the term 'principal place of business' includes a place of business which is used by the taxpayer for the administrative or management activities of any trade or business of the taxpayer if there is no other fixed location of such trade or business where the taxpayer conducts substantial administrative or management activities of such trade or business.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1995.

**SEC. 6354. TREATMENT OF STORAGE OF PRODUCT SAMPLES.**

(a) IN GENERAL.—Paragraph (2) of section 280A(c) is amended by striking ''inventory'' and inserting ''inventory or product samples''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1995.

**Subtitle D—Family Reinforcement**

**SEC. 6401. CREDIT FOR ADOPTION EXPENSES.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 25 the following new section:

**''SEC. 25A. ADOPTION EXPENSES.**

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year the amount of the qualified adoption expenses paid or incurred by the taxpayer during such taxable year.

''(b) LIMITATIONS.—

''(1) DOLLAR LIMITATION.—The aggregate amount of qualified adoption expenses which may be taken into account under subsection (a) with respect to the adoption of a child shall not exceed $5,000.

''(2) INCOME LIMITATION.—The amount allowable as a credit under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this paragraph but with regard to paragraph (1)) as—

''(A) the amount (if any) by which the taxpayer's adjusted gross income (determined without regard to sections 911, 931, and 933) exceeds $60,000, bears to

''(B) $40,000.

''(3) DENIAL OF DOUBLE BENEFIT.—

''(A) IN GENERAL.—No credit shall be allowed under subsection (a) for any expense for which a deduction or credit is allowable under any other provision of this chapter.

''(B) GRANTS.—No credit shall be allowed under subsection (a) for any expense to the extent that funds for such expense are received under any Federal, State, or local

program. The preceding sentence shall not apply to expenses for the adoption of a child with special needs.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED ADOPTION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified adoption expenses' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses—

''(i) which are directly related to, and the principal purpose of which is for, the legal adoption of an eligible child by the taxpayer, and

''(ii) which are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement.

''(B) EXPENSES FOR ADOPTION OF SPOUSE'S CHILD NOT ELIGIBLE.—The term 'qualified adoption expenses' shall not include any expenses in connection with the adoption by an individual of a child who is the child of such individual's spouse.

''(2) ELIGIBLE CHILD.—The term 'eligible child' means any individual—

''(A) who has not attained age 18 as of the time of the adoption, or

''(B) who is physically or mentally incapable of caring for himself.

''(3) CHILD WITH SPECIAL NEEDS.—The term 'child with special needs' means any child if—

''(A) a State has determined that the child cannot or should not be returned to the home of his parents, and

''(B) such State has determined that there exists with respect to the child a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance.

''(d) MARRIED COUPLES MUST FILE JOINT RETURNS, ETC.—Rules similar to the rules of paragraphs (2), (3), and (4) of section 21(e) shall apply for purposes of this section.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25 the following new item:

''Sec. 25A. Adoption expenses.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

**SEC. 6402. CREDIT FOR TAXPAYERS WITH CERTAIN PERSONS REQUIRING CUSTODIAL CARE IN THEIR HOUSEHOLDS.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 25A the following new section:

**''SEC. 25B. CREDIT FOR TAXPAYERS WITH CERTAIN PERSONS REQUIRING CUSTODIAL CARE IN THEIR HOUSEHOLDS.**

''(a) ALLOWANCE OF CREDIT.—In the case of an individual who maintains a household which includes as a member one or more qualified persons, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to $500 for each such person.

''(b) QUALIFIED PERSON.—For purposes of this section, the term 'qualified person' means any individual—

''(1) who is a father or mother of the taxpayer, his spouse, or his former spouse or who is an ancestor of such a father or mother,

''(2) who is physically or mentally incapable of caring for himself,

''(3) who has as his principal place of abode for more than half of the taxable year the home of the taxpayer, and

''(4) whose name and TIN are included on the taxpayer's return for the taxable year.

For purposes of paragraph (1), a stepfather or stepmother shall be treated as a father or mother.

''(c) SPECIAL RULES.—For purposes of this section, rules similar to the rules of paragraphs (1), (2), (3), and (4) of section 21(e) shall apply.''

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Credit for taxpayers with certain persons requiring custodial care in their households.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

## Subtitle E—Social Security Earnings Test

**SEC. 6501. ADJUSTMENTS IN MONTHLY EXEMPT AMOUNT FOR PURPOSES OF THE SOCIAL SECURITY EARNINGS TEST.**

(a) INCREASE IN MONTHLY EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is amended to read as follows:

''(D)(i) Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained retirement age (as defined in section 216(1)) before the close of the taxable year involved shall be—

''(I) for the taxable year beginning after 1995 and before 1997, $1,250.00,

''(II) for the taxable year beginning after 1996 and before 1998, $1,583.33⅓,

''(III) for the taxable year beginning after 1997 and before 1999, $1,916.66⅔,

''(IV) for the taxable year beginning after 1998 and before 2000, $2,250.00, and

''(V) for the taxable year beginning after 1999 and before 2001, $2,500.00.

''(ii) For purposes of subparagraph (B)(ii)(II), the increase in the exempt amount provided under clause (i)(V) shall be deemed to have resulted from a determination which shall be deemed to have been made under subparagraph (A) in 1999.''.

(b) CONFORMING AMENDMENT.—The second sentence of section 223(d)(4) of such Act (42 U.S.C. 423(d)(4)) is amended by striking ''the exempt amount under section 203(f)(8) which is applicable to individuals described in subparagraph (D) thereof'' and inserting the following: ''an amount equal to the exempt amount which would have been applicable under section 203(f)(8), to individuals described in subparagraph (D) thereof, if section 6501 of the Contract With America Tax Relief Act of 1995 had not been enacted''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after 1995.

## Subtitle F—Technical Corrections

**SEC. 6601. COORDINATION WITH OTHER SUBTITLES.**

For purposes of applying the amendments made by any subtitle of this title other than this subtitle, the provisions of this subtitle shall be treated as having been enacted immediately before the provisions of such other subtitles.

**SEC. 6602. AMENDMENTS RELATED TO REVENUE RECONCILIATION ACT OF 1990.**

(a) AMENDMENTS RELATED TO SUBTITLE A.—

(1) Subparagraph (B) of section 59(j)(3) is amended by striking ''section 1(i)(3)(B)'' and inserting ''section 1(g)(3)(B)''.

(2) Clause (i) of section 151(d)(3)(C) is amended by striking ''joint of a return'' and inserting ''joint return''.

(b) AMENDMENTS RELATED TO SUBTITLE B.—

(1) Paragraph (1) of section 11212(e) of the Revenue Reconciliation Act of 1990 is amended by striking ''Paragraph (1) of section 6724(d)'' and inserting ''Subparagraph (B) of section 6724(d)(1)''.

(2)(A) Subparagraph (B) of section 4093(c)(2), as in effect before the amendments made by the Revenue Reconciliation Act of 1993, is amended by inserting before the period ''unless such fuel is sold for exclusive use by a State or any political subdivision thereof''.

(B) Paragraph (4) of section 6427(l), as in effect before the amendments made by the Revenue Reconciliation Act of 1993, is amended by inserting before the period ''unless such fuel was used by a State or any political subdivision thereof''.

(3) Paragraph (1) of section 6416(b) is amended by striking ''chapter 32 or by section 4051'' and inserting ''chapter 31 or 32''.

(4) Section 7012 is amended—

(A) by striking ''production or importation of gasoline'' in paragraph (3) and inserting ''taxes on gasoline and diesel fuel'', and

(B) by striking paragraph (4) and redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(5) Subsection (c) of section 5041 is amended by striking paragraph (6) and by inserting the following new paragraphs:

''(6) CREDIT FOR TRANSFEREE IN BOND.—If—

''(A) wine produced by any person would be eligible for any credit under paragraph (1) if removed by such person during the calendar year,

''(B) wine produced by such person is removed during such calendar year by any other person (hereafter in this paragraph referred to as the 'transferee') to whom such wine was transferred in bond and who is liable for the tax imposed by this section with respect to such wine, and

''(C) such producer holds title to such wine at the time of its removal and provides to the transferee such information as is necessary to properly determine the transferee's credit under this paragraph,

then, the transferee (and not the producer) shall be allowed the credit under paragraph (1) which would be allowed to the producer if the wine removed by the transferee had been removed by the producer on that date.

''(7) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations—

''(A) to prevent the credit provided in this subsection from benefiting any person who produces more than 250,000 wine gallons during a calendar year, and

''(B) to assure proper reduction of such credit for persons producing more than 150,000 wine gallons of wine during a calendar year.''

(6) Paragraph (3) of section 5061(b) is amended to read as follows:

''(3) section 5041(f),''.

(7) Section 5354 is amended by inserting ''(taking into account the appropriate amount of credit with respect to such wine under section 5041(c))'' after ''any one time''.

(c) AMENDMENTS RELATED TO SUBTITLE C.—

(1) Paragraph (4) of section 56(g) is amended by redesignating subparagraphs (I) and (J) as subparagraphs (H) and (I), respectively.

(2) Subparagraph (B) of section 6724(d)(1) is amended—

(A) by striking ''or'' at the end of clause (xii), and

(B) by striking the period at the end of clause (xiii) and inserting '', or''.

(3) Subsection (g) of section 6302 is amended by inserting '', 22,'' after ''chapters 21''.

(4) The earnings and profits of any insurance company to which section 11305(c)(3) of the Revenue Reconciliation Act of 1990 applies shall be determined without regard to

any deduction allowed under such section; except that, for purposes of applying sections 56 and 902, and subpart F of part III of subchapter N of chapter 1 of the Internal Revenue Code of 1986, such deduction shall be taken into account.

(5) Subparagraph (D) of section 6038A(e)(4) is amended—

(A) by striking ''any transaction to which the summons relates'' and inserting ''any affected taxable year'', and

(B) by adding at the end thereof the following new sentence: ''For purposes of this subparagraph, the term 'affected taxable year' means any taxable year if the determination of the amount of tax imposed for such taxable year is affected by the treatment of the transaction to which the summons relates.''.

(6) Subparagraph (A) of section 6621(c)(2) is amended by adding at the end thereof the following new flush sentence:

''The preceding sentence shall be applied without regard to any such letter or notice which is withdrawn by the Secretary.''.

(7) Clause (i) of section 6621(c)(2)(B) is amended by striking ''this subtitle'' and inserting ''this title''.

(d) AMENDMENTS RELATED TO SUBTITLE D.—

(1) Notwithstanding section 11402(c) of the Revenue Reconciliation Act of 1990, the amendment made by section 11402(b)(1) of such Act shall apply to taxable years ending after December 31, 1989.

(2) Clause (ii) of section 143(m)(4)(C) is amended—

(A) by striking ''any month of the 10-year period'' and inserting ''any year of the 4-year period'',

(B) by striking ''succeeding months'' and inserting ''succeeding years'', and

(C) by striking ''over the remainder of such period (or, if lesser, 5 years)'' and inserting ''to zero over the succeeding 5 years''.

(e) AMENDMENTS RELATED TO SUBTITLE E.—

(1)(A) Clause (ii) of section 56(d)(1)(B) is amended to read as follows:

''(ii) appropriate adjustments in the application of section 172(b)(2) shall be made to take into account the limitation of subparagraph (A).''

(B) For purposes of applying sections 56(g)(1) and 56(g)(3) of the Internal Revenue Code of 1986 with respect to taxable years beginning in 1991 and 1992, the reference in such sections to the alternative tax net operating loss deduction shall be treated as including a reference to the deduction under section 56(h) of such Code as in effect before the amendments made by section 1915 of the Energy Policy Act of 1992.

(2) Clause (i) of section 613A(c)(3)(A) is amended by striking ''the table contained in''.

(3) Section 6501 is amended—

(A) by striking subsection (m) (relating to deficiency attributable to election under section 44B) and by redesignating subsections (n) and (o) as subsections (m) and (n), respectively, and

(B) by striking ''section 40(f) or 51(j)'' in subsection (m) (as redesignated by subparagraph (A)) and inserting ''section 40(f), 43, or 51(j)''.

(4) Subparagraph (C) of section 38(c)(2) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) is amended by inserting before the period at the end of the first sentence the following: ''and without regard to the deduction under section 56(h)''.

(5) The amendment made by section 1913(b)(2)(C)(i) of the Energy Policy Act of 1992 shall apply to taxable years beginning after December 31, 1990.

(f) AMENDMENTS RELATED TO SUBTITLE F.—

(1)(A) Section 2701(a)(3) is amended by adding at the end thereof the following new subparagraph:

''(C) VALUATION OF QUALIFIED PAYMENTS WHERE NO LIQUIDATION, ETC. RIGHTS.—In the case of an applicable retained interest which is described in subparagraph (B)(i) but not subparagraph (B)(ii), the value of the distribution right shall be determined without regard to this section.''

(B) Section 2701(a)(3)(B) is amended by inserting ''CERTAIN'' before ''QUALIFIED'' in the heading thereof.

(C) Sections 2701 (d)(1) and (d)(4) are each amended by striking ''subsection (a)(3)(B)'' and inserting ''subsection (a)(3) (B) or (C)''.

(2) Clause (i) of section 2701(a)(4)(B) is amended by inserting ''(or, to the extent provided in regulations, the rights as to either income or capital)'' after ''income and capital''.

(3)(A) Section 2701(b)(2) is amended by adding at the end thereof the following new subparagraph:

''(C) APPLICABLE FAMILY MEMBER.—For purposes of this subsection, the term 'applicable family member' includes any lineal descendant of any parent of the transferor or the transferor's spouse.''

(B) Section 2701(e)(3) is amended—

(i) by striking subparagraph (B), and

(ii) by striking so much of paragraph (3) as precedes ''shall be treated as holding'' and inserting:

''(3) ATTRIBUTION OF INDIRECT HOLDINGS AND TRANSFERS.—An individual''.

(C) Section 2704(c)(3) is amended by striking ''section 2701(e)(3)(A)'' and inserting ''section 2701(e)(3)''.

(4) Clause (i) of section 2701(c)(1)(B) is amended to read as follows:

''(i) a right to distributions with respect to any interest which is junior to the rights of the transferred interest,''.

(5)(A) Clause (i) of section 2701(c)(3)(C) is amended to read as follows:

''(i) IN GENERAL.—Payments under any interest held by a transferor which (without regard to this subparagraph) are qualified payments shall be treated as qualified payments unless the transferor elects not to treat such payments as qualified payments. Payments described in the preceding sentence which are held by an applicable family member shall be treated as qualified payments only if such member elects to treat such payments as qualified payments.''

(B) The first sentence of section 2701(c)(3)(C)(ii) is amended to read as follows: ''A transferor or applicable family member holding any distribution right which (without regard to this subparagraph) is not a qualified payment may elect to treat such right as a qualified payment, to be paid in the amounts and at the times specified in such election.''.

(C) The time for making an election under the second sentence of section 2701(c)(3)(C)(i) of the Internal Revenue Code of 1986 (as amended by subparagraph (A)) shall not expire before the due date (including extensions) for filing the transferor's return of the tax imposed by section 2501 of such Code for the first calendar year ending after the date of enactment.

(6) Section 2701(d)(3)(A)(iii) is amended by striking ''the period ending on the date of''.

(7) Subclause (I) of section 2701(d)(3)(B)(ii) is amended by inserting ''or the exclusion under section 2503(b),'' after ''section 2523,''.

(8) Section 2701(e)(5) is amended—

(A) by striking ''such contribution to capital or such redemption, recapitalization, or other change'' in subparagraph (A) and inserting ''such transaction'', and

(B) by striking ''the transfer'' in subparagraph (B) and inserting ''such transaction''.

(9) Section 2701(d)(4) is amended by adding at the end thereof the following new subparagraph:

''(C) TRANSFER TO TRANSFERORS.—In the case of a taxable event described in paragraph (3)(A)(ii) involving a transfer of an applicable retained interest from an applicable family member to a transferor, this subsection shall continue to apply to the transferor during any period the transferor holds such interest.''

(10) Section 2701(e)(6) is amended by inserting ''or to reflect the application of subsection (d)'' before the period at the end thereof.

(11)(A) Section 2702(a)(3)(A) is amended—

(i) by striking ''to the extent'' and inserting ''if'' in clause (i),

(ii) by striking ''or'' at the end of clause (i),

(iii) by striking the period at the end of clause (ii) and inserting '', or'', and

(iv) by adding at the end thereof the following new clause:

''(iii) to the extent that regulations provide that such transfer is not inconsistent with the purposes of this section.''

(B)(i) Section 2702(a)(3) is amended by striking ''incomplete transfer'' each place it appears and inserting ''incomplete gift''.

(ii) The heading for section 2702(a)(3)(B) is amended by striking ''INCOMPLETE TRANSFER'' and inserting ''INCOMPLETE GIFT''.

(g) AMENDMENTS RELATED TO SUBTITLE G.—

(1)(A) Subsection (a) of section 1248 is amended—

(i) by striking '', or if a United States person receives a distribution from a foreign corporation which, under section 302 or 331, is treated as an exchange of stock'' in paragraph (1), and

(ii) by adding at the end thereof the following new sentence: ''For purposes of this section, a United States person shall be treated as having sold or exchanged any stock if, under any provision of this subtitle, such person is treated as realizing gain from the sale or exchange of such stock.''.

(B) Paragraph (1) of section 1248(e) is amended by striking '', or receives a distribution from a domestic corporation which, under section 302 or 331, is treated as an exchange of stock''.

(C) Subparagraph (B) of section 1248(f)(1) is amended by striking ''or 361(c)(1)'' and inserting ''355(c)(1), or 361(c)(1)''.

(D) Paragraph (1) of section 1248(i) is amended to read as follows:

''(1) IN GENERAL.—If any shareholder of a 10-percent corporate shareholder of a foreign corporation exchanges stock of the 10-percent corporate shareholder for stock of the foreign corporation, such 10-percent corporate shareholder shall recognize gain in the same manner as if the stock of the foreign corporation received in such exchange had been—

''(A) issued to the 10-percent corporate shareholder, and

''(B) then distributed by the 10-percent corporate shareholder to such shareholder in redemption or liquidation (whichever is appropriate).

The amount of gain recognized by such 10-percent corporate shareholder under the preceding sentence shall not exceed the amount treated as a dividend under this section.''

(2) Section 897 is amended by striking subsection (f).

(3) Paragraph (13) of section 4975(d) is amended by striking ''section 408(b)'' and inserting ''section 408(b)(12)''.

(4) Clause (iii) of section 56(g)(4)(D) is amended by inserting '', but only with respect to taxable years beginning after December 31, 1989'' before the period at the end thereof.

(5)(A) Paragraph (11) of section 11701(a) of the Revenue Reconciliation Act of 1990 (and the amendment made by such paragraph) are

hereby repealed, and section 7108(r)(2) of the Revenue Reconciliation Act of 1989 shall be applied as if such paragraph (and amendment) had never been enacted.

(B) Subparagraph (A) shall not apply to any building if the owner of such building establishes to the satisfaction of the Secretary of the Treasury or his delegate that such owner reasonably relied on the amendment made by such paragraph (11).

(h) AMENDMENTS RELATED TO SUBTITLE H.—

(1)(A) Clause (vi) of section 168(e)(3)(B) is amended by striking ''or'' at the end of subclause (I), by striking the period at the end of subclause (II) and inserting '', or'', and by adding at the end thereof the following new subclause:

''(III) is described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).''

(B) Subparagraph (K) of section 168(g)(4) is amended by striking ''section 48(a)(3)(A)(iii)'' and inserting ''section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)''.

(2) Clause (ii) of section 172(b)(1)(E) is amended by striking ''subsection (m)'' and inserting ''subsection (h)''.

(3) Sections 805(a)(4)(E), 832(b)(5)(C)(ii)(II), and 832(b)(5)(D)(ii)(II) are each amended by striking ''243(b)(5)'' and inserting ''243(b)(2)''.

(4) Subparagraph (A) of section 243(b)(3) is amended by inserting ''of'' after ''In the case''.

(5) The subsection heading for subsection (a) of section 280F is amended by striking ''INVESTMENT TAX CREDIT AND''.

(6) Clause (i) of section 1504(c)(2)(B) is amended by inserting ''section'' before ''243(b)(2)''.

(7) Paragraph (3) of section 341(f) is amended by striking ''351, 361, 371(a), or 374(a)'' and inserting ''351, or 361''.

(8) Paragraph (2) of section 243(b) is amended to read as follows:

''(2) AFFILIATED GROUP.—For purposes of this subsection:

''(A) IN GENERAL.—The term 'affiliated group' has the meaning given such term by section 1504(b), except that for such purposes sections 1504(b)(2), 1504(b)(4), and 1504(c) shall not apply.

''(B) GROUP MUST BE CONSISTENT IN FOREIGN TAX TREATMENT.—The requirements of paragraph (1)(A) shall not be treated as being met with respect to any dividend received by a corporation if, for any taxable year which includes the day on which such dividend is received—

''(i) 1 or more members of the affiliated group referred to in paragraph (1)(A) choose to any extent to take the benefits of section 901, and

''(ii) 1 or more other members of such group claim to any extent a deduction for taxes otherwise creditable under section 901.''

(9) The amendment made by section 11813(b)(17) of the Revenue Reconciliation Act of 1990 shall be applied as if the material stricken by such amendment included the closing parenthesis after ''section 48(a)(5)''.

(10) Paragraph (1) of section 179(d) is amended—

(A) by striking ''in a trade or business'' and inserting ''a trade or business'', and

(B) by adding at the end thereof the following new sentence: ''Such term shall not include any property described in section 50(b) and shall not include air conditioning or heating units and horses.''

(11) Subparagraph (E) of section 50(a)(2) is amended by striking ''section 48(a)(5)(A)'' and inserting ''section 48(a)(5)''.

(12) The amendment made by section 11801(c)(9)(G)(ii) of the Revenue Reconciliation Act of 1990 shall be applied as if it struck ''Section 422A(c)(2)'' and inserted ''Section 422(c)(2)''.

(13) Subparagraph (B) of section 424(c)(3) is amended by striking ''a qualified stock option, an incentive stock option, an option granted under an employee stock purchase plan, or a restricted stock option'' and inserting ''an incentive stock option or an option granted under an employee stock purchase plan''.

(14) Subparagraph (E) of section 1367(a)(2) is amended by striking ''section 613A(c)(13)(B)'' and inserting ''section 613A(c)(11)(B)''.

(15) Subparagraph (B) of section 460(e)(6) is amended by striking ''section 167(k)'' and inserting ''section 168(e)(2)(A)(ii)''.

(16) Subparagraph (C) of section 172(h)(4) is amended by striking ''subsection (b)(1)(M)'' and inserting ''subsection (b)(1)(E)''.

(17) Section 6503 is amended—

(A) by redesignating the subsection relating to extension in case of certain summonses as subsection (j), and

(B) by redesignating the subsection relating to cross references as subsection (k).

(18) Paragraph (4) of section 1250(e) is hereby repealed.

(i) EFFECTIVE DATE.—Except as otherwise expressly provided—

(1) the amendments made by this section shall be treated as amendments to the Internal Revenue Code of 1986 as amended by the Revenue Reconciliation Act of 1993; and

(2) any amendment made by this section shall apply to periods before the date of the enactment of this section in the same manner as if it had been included in the provision of the Revenue Reconciliation Act of 1990 to which such amendment relates.

**SEC. 6603. AMENDMENTS RELATED TO REVENUE RECONCILIATION ACT OF 1993.**

(a) AMENDMENT RELATED TO SECTION 13114.—Paragraph (2) of section 1044(c) is amended to read as follows:

''(2) PURCHASE.—The taxpayer shall be considered to have purchased any property if, but for subsection (d), the unadjusted basis of such property would be its cost within the meaning of section 1012.''

(b) AMENDMENTS RELATED TO SECTION 13142.—

(1) Subparagraph (B) of section 13142(b)(6) of the Revenue Reconciliation Act of 1993 is amended to read as follows:

''(B) FULL-TIME STUDENTS, WAIVER AUTHORITY, AND PROHIBITED DISCRIMINATION.—The amendments made by paragraphs (2), (3), and (4) shall take effect on the date of the enactment of this Act.''

(2) Subparagraph (C) of section 13142(b)(6) of such Act is amended by striking ''paragraph (2)'' and inserting ''paragraph (5)''.

(c) AMENDMENT RELATED TO SECTION 13161.—

(1) IN GENERAL.—Subsection (e) of section 4001 (relating to inflation adjustment) is amended to read as follows:

''(e) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—The $30,000 amount in subsection (a) and section 4003(a) shall be increased by an amount equal to—

''(A) $30,000, multiplied by

''(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the vehicle is sold, determined by substituting 'calendar year 1990' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $2,000, such amount shall be rounded to the next lowest multiple of $2,000.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of the enactment of this Act.

(d) AMENDMENT RELATED TO SECTION 13201.—Clause (ii) of section 135(b)(2)(B) is amended by inserting before the period at the end thereof the following: '', determined by substituting 'calendar year 1989' for 'calendar year 1992' in subparagraph (B) thereof''.

(e) AMENDMENTS RELATED TO SECTION 13203.—Subsection (a) of section 59 is amended—

(1) by striking ''the amount determined under section 55(b)(1)(A)'' in paragraph (1)(A) and (2)(A)(i) and inserting ''the pre-credit tentative minimum tax'',

(2) by striking ''specified in section 55(b)(1)(A)'' in paragraph (1)(C) and inserting ''specified in subparagraph (A)(i) or (B)(i) of section 55(b)(1) (whichever applies)'',

(3) by striking ''which would be determined under section 55(b)(1)(A)'' in paragraph (2)(A)(ii) and inserting ''which would be the pre-credit tentative minimum tax'', and

(4) by adding at the end thereof the following new paragraph:

''(3) PRE-CREDIT TENTATIVE MINIMUM TAX.—For purposes of this subsection, the term 'pre-credit tentative minimum tax' means—

''(A) in the case of a taxpayer other than a corporation, the amount determined under the first sentence of section 55(b)(1)(A)(i), or

''(B) in the case of a corporation, the amount determined under section 55(b)(1)(B)(i).''

(f) AMENDMENT RELATED TO SECTION 13221.—Sections 1201(a) and 1561(a) are each amended by striking ''last sentence'' each place it appears and inserting ''last 2 sentences''.

(g) AMENDMENTS RELATED TO SECTION 13222.—

(1) Subparagraph (B) of section 6033(e)(1) is amended by adding at the end thereof the following new clause:

''(iii) COORDINATION WITH SECTION 527(f).—This subsection shall not apply to any amount on which tax is imposed by reason of section 527(f).''.

(2) Clause (i) of section 6033(e)(1)(B) is amended by striking ''this subtitle'' and inserting ''section 501''.

(h) AMENDMENT RELATED TO SECTION 13225.—Paragraph (3) of section 6655(g) is amended by striking all that follows ''3rd month'' in the sentence following subparagraph (C) and inserting '', subsection (e)(2)(A) shall be applied by substituting '2 months' for '3 months' in clause (i)(I), the election under clause (i) of subsection (e)(2)(C) may be made separately for each installment, and clause (ii) of subsection (e)(2)(C) shall not apply.''.

(i) AMENDMENTS RELATED TO SECTION 13231.—

(1) Subparagraph (G) of section 904(d)(3) is amended by striking ''section 951(a)(1)(B)'' and inserting ''subparagraph (B) or (C) of section 951(a)(1)''.

(2) Paragraph (1) of section 956A(b) is amended to read as follows:

''(1) the amount (not including a deficit) referred to in section 316(a)(1) to the extent such amount was accumulated in prior taxable years beginning after September 30, 1993, and''.

(3) Subsection (f) of section 956A is amended by inserting before the period at the end thereof: ''and regulations coordinating the provisions of subsections (c)(3)(A) and (d)''.

(4) Subsection (b) of section 958 is amended by striking ''956(b)(2)'' each place it appears and inserting ''956(c)(2)''.

(5)(A) Subparagraph (A) of section 1297(d)(2) is amended by striking ''The adjusted basis of any asset'' and inserting ''The amount taken into account under section 1296(a)(2) with respect to any asset''.

(B) The paragraph heading of paragraph (2) of section 1297(d) is amended to read as follows:

''(2) AMOUNT TAKEN INTO ACCOUNT.—''.

(6) Subsection (e) of section 1297 is amended by inserting ''For purposes of this part—'' after the subsection heading.

(j) AMENDMENT RELATED TO SECTION 13241.—Subparagraph (B) of section 40(e)(1) is amended to read as follows:

''(B) for any period before January 1, 2001, during which the rates of tax under section 4081(a)(2)(A) are 4.3 cents per gallon.''

(k) AMENDMENT RELATED TO SECTION 13261.—Clause (iii) of section 13261(g)(2)(A) of the Revenue Reconciliation Act of 1993 is amended by striking ''by the taxpayer'' and inserting ''by the taxpayer or a related person''.

(l) AMENDMENT RELATED TO SECTION 13301.—Subparagraph (B) of section 1397B(d)(5) is amended by striking ''preceding''.

(m) CLERICAL AMENDMENTS.—

(1) Subsection (d) of section 39 is amended—

(A) by striking ''45'' in the heading of paragraph (5) and inserting ''45A'', and

(B) by striking ''45'' in the heading of paragraph (6) and inserting ''45B''.

(2) Subparagraph (A) of section 108(d)(9) is amended by striking ''paragraph (3)(B)'' and inserting ''paragraph (3)(C)''.

(3) Subparagraph (C) of section 143(d)(2) is amended by striking the period at the end thereof and inserting a comma.

(4) Clause (ii) of section 163(j)(6)(E) is amended by striking ''which is a'' and inserting ''which is''.

(5) Subparagraph (A) of section 1017(b)(4) is amended by striking ''subsection (b)(2)(D)'' and inserting ''subsection (b)(2)(E)''.

(6) So much of section 1245(a)(3) as precedes subparagraph (A) thereof is amended to read as follows:

''(3) SECTION 1245 PROPERTY.—For purposes of this section, the term 'section 1245 property' means any property which is or has been property of a character subject to the allowance for depreciation provided in section 167 and is either—''.

(7) Paragraph (2) of section 1394(e) is amended—

(A) by striking ''(i)'' and inserting ''(A)'', and

(B) by striking ''(ii)'' and inserting ''(B)''.

(8) Subsection (m) of section 6501 (as redesignated by section 6602) is amended by striking ''or 51(j)'' and inserting ''45B, or 51(j)''.

(9)(A) The section 6714 added by section 13242(b)(1) of the Revenue Reconciliation Act of 1993 is hereby redesignated as section 6715.

(B) The table of sections for part I of subchapter B of chapter 68 is amended by striking ''6714'' in the item added by such section 13242(b)(2) of such Act and inserting ''6715''.

(10) Paragraph (2) of section 9502(b) is amended by inserting ''and before'' after ''1982,''.

(11) Subsection (a)(3) of section 13206 of the Revenue Reconciliation Act of 1993 is amended by striking ''this section'' and inserting ''this subsection''.

(12) Paragraph (1) of section 13215(c) of the Revenue Reconciliation Act of 1993 is amended by striking ''Public Law 92–21'' and inserting ''Public Law 98–21''.

(13) Paragraph (2) of section 13311(e) of the Revenue Reconciliation Act of 1993 is amended by striking ''section 1393(a)(3)'' and inserting ''section 1393(a)(2)''.

(14) Subparagraph (B) of section 117(d)(2) is amended by striking ''section 132(f)'' and inserting ''section 132(h)''.

(n) EFFECTIVE DATE.—Any amendment made by this section shall take effect as if included in the provision of the Revenue Reconciliation Act of 1993 to which such amendment relates.

**SEC. 6604. MISCELLANEOUS PROVISIONS.**

(a) APPLICATION OF AMENDMENTS MADE BY TITLE XII OF OMNIBUS BUDGET RECONCILIATION ACT OF 1990.—Except as otherwise expressly provided, whenever in title XII of the Omnibus Budget Reconciliation Act of 1990 an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(b) TREATMENT OF CERTAIN AMOUNTS UNDER HEDGE BOND RULES.—

(1) Clause (iii) of section 149(g)(3)(B) is amended to read as follows:

''(iii) AMOUNTS HELD PENDING REINVESTMENT OR REDEMPTION.—Amounts held for not more than 30 days pending reinvestment or bond redemption shall be treated as invested in bonds described in clause (i).''

(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 7651 of the Omnibus Budget Reconciliation Act of 1989.

(c) TREATMENT OF CERTAIN DISTRIBUTIONS UNDER SECTION 1445.—

(1) IN GENERAL.—Paragraph (3) of section 1445(e) is amended by adding at the end thereof the following new sentence: ''Rules similar to the rules of the preceding provisions of this paragraph shall apply in the case of any distribution to which section 301 applies and which is not made out of the earnings and profits of such a domestic corporation.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to distributions after the date of the enactment of this Act.

(d) TREATMENT OF CERTAIN CREDITS UNDER SECTION 469.—

(1) IN GENERAL.—Subparagraph (B) of section 469(c)(3) is amended by adding at the end thereof the following new sentence: ''If the preceding sentence applies to the net income from any property for any taxable year, any credits allowable under subpart B (other than section 27(a)) or D of part IV of subchapter A for such taxable year which are attributable to such property shall be treated as credits not from a passive activity to the extent the amount of such credits does not exceed the regular tax liability of the taxpayer for the taxable year which is allocable to such net income.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1986.

(e) TREATMENT OF DISPOSITIONS UNDER PASSIVE LOSS RULES.—

(1) IN GENERAL.—Subparagraph (A) of section 469(g)(1) is amended to read as follows:

''(A) IN GENERAL.—If all gain or loss realized on such disposition is recognized, the excess of—

''(i) any loss from such activity for such taxable year (determined after the application of subsection (b)), over

''(ii) any net income or gain for such taxable year from all other passive activities (determined after the application of subsection (b)),

shall be treated as a loss which is not from a passive activity.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1986.

(f) MISCELLANEOUS AMENDMENTS TO FOREIGN PROVISIONS.—

(1) COORDINATION OF UNIFIED ESTATE TAX CREDIT WITH TREATIES.—Subparagraph (A) of section 2102(c)(3) is amended by adding at the end thereof the following new sentence: ''For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.''

(2) TREATMENT OF CERTAIN INTEREST PAID TO RELATED PERSON.—

(A) IN GENERAL.—Subparagraph (B) of section 163(j)(1) is amended by inserting before the period at the end thereof the following: ''(and clause (ii) of paragraph (2)(A) shall not apply for purposes of applying this subsection to the amount so treated)''.

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply as if included in the amendments made by section 7210(a) of the Revenue Reconciliation Act of 1989.

(3) TREATMENT OF INTEREST ALLOCABLE TO EFFECTIVELY CONNECTED INCOME.—

(A) IN GENERAL.—

(i) Subparagraph (B) of section 884(f)(1) is amended by striking ''to the extent'' and all that follows down through ''subparagraph (A)'' and inserting ''to the extent that the allocable interest exceeds the interest described in subparagraph (A)''.

(ii) The second sentence of section 884(f)(1) is amended by striking ''reasonably expected'' and all that follows down through the period at the end thereof and inserting ''reasonably expected to be allocable interest.''

(iii) Paragraph (2) of section 884(f) is amended to read as follows:

''(2) ALLOCABLE INTEREST.—For purposes of this subsection, the term 'allocable interest' means any interest which is allocable to income which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States.''

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall take effect as if included in the amendments made by section 1241(a) of the Tax Reform Act of 1986.

(4) CLARIFICATION OF SOURCE RULE.—

(A) IN GENERAL.—Paragraph (2) of section 865(b) is amended by striking ''863(b)'' and inserting ''863''.

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall take effect as if included in the amendments made by section 1211 of the Tax Reform Act of 1986.

(5) REPEAL OF OBSOLETE PROVISIONS.—

(A) Paragraph (1) of section 6038(a) is amended by striking '', and'' at the end of subparagraph (E) and inserting a period, and by striking subparagraph (F).

(B) Subsection (b) of section 6038A is amended by adding ''and'' at the end of paragraph (2), by striking '', and'' at the end of paragraph (3) and inserting a period, and by striking paragraph (4).

(g) TREATMENT OF ASSIGNMENT OF INTEREST IN CERTAIN BOND-FINANCED FACILITIES.—

(1) IN GENERAL.—Subparagraph (A) of section 1317(3) of the Tax Reform Act of 1986 is amended by adding at the end thereof the following new sentence: ''A facility shall not fail to be treated as described in this subparagraph by reason of an assignment (or an agreement to an assignment) by the governmental unit on whose behalf the bonds are issued of any part of its interest in the property financed by such bonds to another governmental unit.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in such section 1317 on the date of the enactment of the Tax Reform Act of 1986.

(h) CLARIFICATION OF TREATMENT OF MEDICARE ENTITLEMENT UNDER COBRA PROVISIONS.—

(1) IN GENERAL.—

(A) Subclause (V) of section 4980B(f)(2)(B)(i) is amended to read as follows:

''(V) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in paragraph (3)(B) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified

beneficiaries other than the covered employee shall not terminate under this clause before the close of the 36-month period beginning on the date the covered employee became so entitled.''

(B) Clause (v) of section 602(2)(A) of the Employee Retirement Income Security Act of 1974 is amended to read as follows:

''(v) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in section 603(2) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified beneficiaries other than the covered employee shall not terminate under this subparagraph before the close of the 36-month period beginning on the date the covered employee became so entitled.''

(C) Clause (iv) of section 2202(2)(A) of the Public Health Service Act is amended to read as follows:

''(iv) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in section 2203(2) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified beneficiaries other than the covered employee shall not terminate under this subparagraph before the close of the 36-month period beginning on the date the covered employee became so entitled.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to plan years beginning after December 31, 1989.

(i) TREATMENT OF CERTAIN REMIC INCLUSIONS.—

(1) IN GENERAL.—Subsection (a) of section 860E is amended by adding at the end thereof the following new paragraph:

''(6) COORDINATION WITH MINIMUM TAX.—For purposes of part VI of subchapter A of this chapter—

''(A) the reference in section 55(b)(2) to taxable income shall be treated as a reference to taxable income determined without regard to this subsection,

''(B) the alternative minimum taxable income of any holder of a residual interest in a REMIC for any taxable year shall in no event be less than the excess inclusion for such taxable year, and

''(C) any excess inclusion shall be disregarded for purposes of computing the alternative tax net operating loss deduction.

The preceding sentence shall not apply to any organization to which section 593 applies, except to the extent provided in regulations prescribed by the Secretary under paragraph (2).''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 671 of the Tax Reform Act of 1986 unless the taxpayer elects to apply such amendment only to taxable years beginning after the date of the enactment of this Act.

(j) EXEMPTION FROM HARBOR MAINTENANCE TAX FOR CERTAIN PASSENGERS.—

(1) IN GENERAL.—Subparagraph (D) of section 4462(b)(1) (relating to special rule for Alaska, Hawaii, and possessions) is amended by inserting before the period the following: '', or passengers transported on United States flag vessels operating solely within the State waters of Alaska or Hawaii and adjacent international waters''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 1402(a) of the Harbor Maintenance Revenue Act of 1986.

(k) AMENDMENTS RELATED TO REVENUE PROVISIONS OF ENERGY POLICY ACT OF 1992.—

(1) Effective with respect to taxable years beginning after December 31, 1990, subclause (II) of section 53(d)(1)(B)(iv) is amended to read as follows:

''(II) the adjusted net minimum tax for any taxable year is the amount of the net minimum tax for such year increased in the manner provided in clause (iii).''

(2) Subsection (g) of section 179A is redesignated as subsection (f).

(3) Subparagraph (E) of section 6724(d)(3) is amended by striking ''section 6109(f)'' and inserting ''section 6109(h)''.

(4)(A) Subsection (d) of section 30 is amended—

(i) by inserting ''(determined without regard to subsection (b)(3))'' before the period at the end of paragraph (1) thereof, and

(ii) by adding at the end thereof the following new paragraph:

''(4) ELECTION TO NOT TAKE CREDIT.—No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.''

(B) Subsection (m) of section 6501 (as redesignated by section 6602) is amended by striking ''section 40(f)'' and inserting ''section 30(d)(4), 40(f)''.

(5) Subclause (III) of section 501(c)(21)(D)(ii) is amended by striking ''section 101(6)'' and inserting ''section 101(7)'' and by striking ''1752(6)'' and inserting ''1752(7)''.

(6) Paragraph (1) of section 1917(b) of the Energy Policy Act of 1992 shall be applied as if ''at a rate'' appeared instead of ''at the rate'' in the material proposed to be stricken.

(7) Paragraph (2) of section 1921(b) of the Energy Policy Act of 1992 shall be applied as if a comma appeared after ''(2)'' in the material proposed to be stricken.

(8) Subsection (a) of section 1937 of the Energy Policy Act of 1992 shall be applied as if ''Subpart B'' appeared instead of ''Subpart C''.

(l) TREATMENT OF QUALIFIED FOOTBALL COACHES PLAN.—

(1) IN GENERAL.—Section 1022 of title II of the Employee Retirement Income Security Act of 1974 is amended by adding at the end thereof the following new subsection:

''(l) QUALIFIED FOOTBALL COACHES PLAN.—For purposes of determining the qualified plan status of a qualified football coaches plan, section 3(37)(F) shall be treated as part of this title and a qualified football coaches plan shall be treated as a multiemployer collectively bargained plan for purposes of the Internal Revenue Code of 1986.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to years beginning after the date of the enactment of Public Law 100–202.

(m) DETERMINATION OF UNRECOVERED INVESTMENT IN ANNUITY CONTRACT.—

(1) IN GENERAL.—Subparagraph (A) of section 72(b)(4) is amended by inserting ''(determined without regard to subsection (c)(2))'' after ''contract''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 1122(c) of the Tax Reform Act of 1986.

(n) MODIFICATIONS TO ELECTION TO INCLUDE CHILD'S INCOME ON PARENT'S RETURN.—

(1) ELIGIBILITY FOR ELECTION.—Clause (ii) of section 1(g)(7)(A) (relating to election to include certain unearned income of child on parent's return) is amended to read as follows:

''(ii) such gross income is more than the amount described in paragraph (4)(A)(ii)(I) and less than 10 times the amount so described,''.

(2) COMPUTATION OF TAX.—Subparagraph (B) of section 1(g)(7) (relating to income included on parent's return) is amended—

(A) by striking ''$1,000'' in clause (i) and inserting ''twice the amount described in paragraph (4)(A)(ii)(I)'', and

(B) by amending subclause (II) of clause (ii) to read as follows:

''(II) for each such child, 15 percent of the lesser of the amount described in paragraph (4)(A)(ii)(I) or the excess of the gross income of such child over the amount so described, and''.

(3) MINIMUM TAX.—Subparagraph (B) of section 59(j)(1) is amended by striking ''$1,000'' and inserting ''twice the amount in effect for the taxable year under section 63(c)(5)(A)''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1994.

(o) MISCELLANEOUS CLERICAL AMENDMENTS.—

(1) Subclause (II) of section 56(g)(4)(C)(ii) is amended by striking ''of the subclause'' and inserting ''of subclause''.

(2) Paragraph (2) of section 72(m) is amended by inserting ''and'' at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(3) Paragraph (2) of section 86(b) is amended by striking ''adusted'' and inserting ''adjusted''.

(4)(A) The heading for section 112 is amended by striking ''combat pay'' and inserting ''combat zone compensation''.

(B) The item relating to section 112 in the table of sections for part III of subchapter B of chapter 1 is amended by striking ''combat pay'' and inserting ''combat zone compensation''.

(C) Paragraph (1) of section 3401(a) is amended by striking ''combat pay'' and inserting ''combat zone compensation''.

(5) Clause (i) of section 172(h)(3)(B) is amended by striking the comma at the end thereof and inserting a period.

(6) Clause (ii) of section 543(a)(2)(B) is amended by striking ''section 563(c)'' and inserting ''section 563(d)''.

(7) Paragraph (1) of section 958(a) is amended by striking ''sections 955(b)(1) (A) and (B), 955(c)(2)(A)(ii), and 960(a)(1)'' and inserting ''section 960(a)(1)''.

(8) Subsection (g) of section 642 is amended by striking ''under 2621(a)(2)'' and inserting ''under section 2621(a)(2)''.

(9) Section 1463 is amended by striking ''this subsection'' and inserting ''this section''.

(10) Subsection (k) of section 3306 is amended by inserting a period at the end thereof.

(11) The item relating to section 4472 in the table of sections for subchapter B of chapter 36 is amended by striking ''and special rules''.

(12) Paragraph (2) of section 4978(b) is amended by striking the period at the end of subparagraph (A) and inserting a comma, and by striking the period and quotation marks at the end of subparagraph (B) and inserting a comma.

(13) Paragraph (3) of section 5134(c) is amended by striking ''section 6662(a)'' and inserting ''section 6665(a)''.

(14) Paragraph (2) of section 5206(f) is amended by striking ''section 5(e)'' and inserting ''section 105(e)''.

(15) Paragraph (1) of section 6050B(c) is amended by striking ''section 85(c)'' and inserting ''section 85(b)''.

(16) Subsection (k) of section 6166 is amended by striking paragraph (6).

(17) Subsection (e) of section 6214 is amended to read as follows:

''(e) CROSS REFERENCE.—

**''For provision giving Tax Court jurisdiction to order a refund of an overpayment and to award sanctions, see section 6512(b)(2).''**

(18) The section heading for section 6043 is amended by striking the semicolon and inserting a comma.

(19) The item relating to section 6043 in the table of sections for subpart B of part III of subchapter A of chapter 61 is amended by striking the semicolon and inserting a comma.

(20) The table of sections for part I of subchapter A of chapter 68 is amended by striking the item relating to section 6662.

(21)(A) Section 7232 is amended—

(i) by striking ''LUBRICATING OIL,'' in the heading, and

(ii) by striking ''lubricating oil,'' in the text.

(B) The table of sections for part II of subchapter A of chapter 75 is amended by striking ''lubricating oil,'' in the item relating to section 7232.

(22) Paragraph (1) of section 6701(a) of the Omnibus Budget Reconciliation Act of 1989 is amended by striking ''subclause (IV)'' and inserting ''subclause (V)''.

(23) Clause (ii) of section 7304(a)(2)(D) of such Act is amended by striking ''subsection (c)(2)'' and inserting ''subsection (c)''.

(24) Paragraph (1) of section 7646(b) of such Act is amended by striking ''section 6050H(b)(1)'' and inserting ''section 6050H(b)(2)''.

(25) Paragraph (10) of section 7721(c) of such Act is amended by striking ''section 6662(b)(2)(C)(ii)'' and inserting ''section 6661(b)(2)(C)(ii)''.

(26) Subparagraph (A) of section 7811(i)(3) of such Act is amended by inserting ''the first place it appears'' before ''in clause (i)''.

(27) Paragraph (10) of section 7841(d) of such Act is amended by striking ''section 381(a)'' and inserting ''section 381(c)''.

(28) Paragraph (2) of section 7861(c) of such Act is amended by inserting ''the second place it appears'' before ''and inserting''.

(29) Paragraph (1) of section 460(b) is amended by striking ''the look-back method of paragraph (3)'' and inserting ''the look-back method of paragraph (2)''.

(30) Subparagraph (C) of section 50(a)(2) is amended by striking ''subsection (c)(4)'' and inserting ''subsection (d)(5)''.

(31) Subparagraph (B) of section 172(h)(4) is amended by striking the material following the heading and preceding clause (i) and inserting ''For purposes of subsection (b)(2)—''.

(32) Subparagraph (A) of section 355(d)(7) is amended by inserting ''section'' before ''267(b)''.

(33) Subparagraph (C) of section 420(e)(1) is amended by striking ''mean'' and inserting ''means''.

(34) Paragraph (4) of section 537(b) is amended by striking ''section 172(i)'' and inserting ''section 172(f)''.

(35) Subparagraph (B) of section 613(e)(1) is amended by striking the comma at the end thereof and inserting a period.

(36) Paragraph (4) of section 856(a) is amended by striking ''section 582(c)(5)'' and inserting ''section 582(c)(2)''.

(37) Sections 904(f)(2)(B)(i) and 907(c)(4)(B)(iii) are each amended by inserting ''(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)'' after ''section 172(h)''.

(38) Subsection (b) of section 936 is amended by striking ''subparagraphs (D)(ii)(I)'' and inserting ''subparagraphs (D)(ii)''.

(39) Subsection (c) of section 2104 is amended by striking ''subparagraph (A), (C), or (D) of section 861(a)(1)'' and inserting ''section 861(a)(1)(A)''.

(40) Subparagraph (A) of section 280A(c)(1) is amended to read as follows:

''(A) as the principal place of business for any trade or business of the taxpayer,''.

(41) Section 6038 is amended by redesignating the subsection relating to cross references as subsection (f).

(42) Clause (iv) of section 6103(e)(1)(A) is amended by striking all that follows ''provisions of'' and inserting ''section 1(g) or 59(j);''.

(43) The subsection (f) of section 6109 of the Internal Revenue Code of 1986 which was added by section 2201(d) of Public Law 101–624 is redesignated as subsection (g).

(44) Subsection (b) of section 7454 is amended by striking ''section 4955(e)(2)'' and inserting ''section 4955(f)(2)''.

(45) Subsection (d) of section 11231 of the Revenue Reconciliation Act of 1990 shall be applied as if ''comma'' appeared instead of ''period'' and as if the paragraph (9) proposed to be added ended with a comma.

(46) Paragraph (1) of section 11303(b) of the Revenue Reconciliation Act of 1990 shall be applied as if ''paragraph'' appeared instead of ''subparagraph'' in the material proposed to be stricken.

(47) Subsection (f) of section 11701 of the Revenue Reconciliation Act of 1990 is amended by inserting ''(relating to definitions)'' after ''section 6038(e)''.

(48) Subsection (i) of section 11701 of the Revenue Reconciliation Act of 1990 shall be applied as if ''subsection'' appeared instead of ''section'' in the material proposed to be stricken.

(49) Subparagraph (B) of section 11801(c)(2) of the Revenue Reconciliation Act of 1990 shall be applied as if ''section 56(g)'' appeared instead of ''section 59(g)''.

(50) Subparagraph (C) of section 11801(c)(8) of the Revenue Reconciliation Act of 1990 shall be applied as if ''reorganizations'' appeared instead of ''reorganization'' in the material proposed to be stricken.

(51) Subparagraph (H) of section 11801(c)(9) of the Revenue Reconciliation Act of 1990 shall be applied as if ''section 1042(c)(1)(B)'' appeared instead of ''section 1042(c)(2)(B)''.

(52) Subparagraph (F) of section 11801(c)(12) of the Revenue Reconciliation Act of 1990 shall be applied as if ''and (3)'' appeared instead of ''and (E)''.

(53) Subparagraph (A) of section 11801(c)(22) of the Revenue Reconciliation Act of 1990 shall be applied as if ''chapters 21'' appeared instead of ''chapter 21'' in the material proposed to be stricken.

(54) Paragraph (3) of section 11812(b) of the Revenue Reconciliation Act of 1990 shall be applied by not executing the amendment therein to the heading of section 42(d)(5)(B).

(55) Clause (i) of section 11813(b)(9)(A) of the Revenue Reconciliation Act of 1990 shall be applied as if a comma appeared after ''(3)(A)(ix)'' in the material proposed to be stricken.

(56) Subparagraph (F) of section 11813(b)(13) of the Revenue Reconciliation Act of 1990 shall be applied as if ''tax'' appeared after ''investment'' in the material proposed to be stricken.

(57) Paragraph (19) of section 11813(b) of the Revenue Reconciliation Act of 1990 shall be applied as if ''Paragraph (20) of section 1016(a), as redesignated by section 11801,'' appeared instead of ''Paragraph (21) of section 1016(a)''.

(58) Paragraph (5) section 8002(a) of the Surface Transportation Revenue Act of 1991 shall be applied as if ''4481(e)'' appeared instead of ''4481(c)''.

(59) Section 7872 is amended—

(A) by striking ''foregone'' each place it appears in subsections (a) and (e)(2) and inserting ''forgone'', and

(B) by striking ''FOREGONE'' in the heading for subsection (e) and the heading for paragraph (2) of subsection (e) and inserting ''FORGONE''.

(60) Paragraph (7) of section 7611(h) is amended by striking ''approporiate'' and inserting ''appropriate''.

(61) The heading of paragraph (3) of section 419A(c) is amended by striking ''SEVERENCE'' and inserting ''SEVERANCE''.

(62) Clause (ii) of section 807(d)(3)(B) is amended by striking ''Commissoners' '' and inserting ''Commissioners' ''.

(63) Subparagraph (B) of section 1274A(c)(1) is amended by striking ''instument'' and inserting ''instrument''.

(64) Subparagraph (B) of section 724(d)(3) by striking ''Subparagaph'' and inserting ''Subparagraph''.

(65) The last sentence of paragraph (2) of section 42(c) is amended by striking ''of 1988''.

(66) Paragraph (1) of section 9707(d) is amended by striking ''diligence,'' and inserting ''diligence''.

(67) Subsection (c) of section 4977 is amended by striking ''section 132(i)(2)'' and inserting ''section 132(h)''.

(68) The last sentence of section 401(a)(20) is amended by striking ''section 211'' and inserting ''section 521''.

(69) Subparagraph (A) of section 402(g)(3) is amended by striking ''subsection (a)(8)'' and inserting ''subsection (e)(3)''.

(70) The last sentence of section 403(b)(10) is amended by striking ''an direct'' and inserting ''a direct''.

(71) Subparagraph (A) of section 4973(b)(1) is amended by striking ''sections 402(c)'' and inserting ''section 402(c)''.

(72) Paragraph (12) of section 3405(e) is amended by striking ''(b)(3)'' and inserting ''(b)(2)''.

(73) Paragraph (41) of section 521(b) of the Unemployment Compensation Amendments of 1992 shall be applied as if ''section'' appeared instead of ''sections'' in the material proposed to be stricken.

(74) Paragraph (27) of section 521(b) of the Unemployment Compensation Amendments of 1992 shall be applied as if ''Section 691(c)(5)'' appeared instead of ''Section 691(c)''.

(75) Paragraph (5) of section 860F(a) is amended by striking ''paragraph (1)'' and inserting ''paragraph (2)''.

(76) Paragraph (1) of section 415(k) is amended by adding ''or'' at the end of subparagraph (C), by striking subparagraphs (D) and (E), and by redesignating subparagraph (F) as subparagraph (D).

(77) Paragraph (2) of section 404(a) is amended by striking ''(18),''.

(78) Clause (ii) of section 72(p)(4)(A) is amended to read as follows:

''(ii) SPECIAL RULE.—The term 'qualified employer plan' shall not include any plan which was (or was determined to be) a qualified employer plan or a government plan.''

(79) Sections 461(i)(3)(C) and 1274(b)(3)(B)(i) are each amended by striking ''section 6662(d)(2)(C)(ii)'' and inserting ''section 6662(d)(2)(C)(iii)''.

(80) Subsection (a) of section 164 is amended by striking the paragraphs relating to the generation-skipping tax and the environmental tax imposed by section 59A and by inserting after paragraph (3) the following new paragraphs:

''(4) The GST tax imposed on income distributions.

''(5) The environmental tax imposed by section 59A.''

## Subtitle G—Tax Reduction Contingent on Deficit Reduction

### SEC. 6701. TAX REDUCTION CONTINGENT ON DEFICIT REDUCTION.

Notwithstanding any other provision of this title and any amendment made by this title, no provision of this title shall take effect unless—

(1) the concurrent resolution on the budget for fiscal year 1996, as agreed to, provides that the budget of the United States will be in balance by fiscal year 2002, and

(2) the conference report, as agreed to, on the reconciliation bill for that resolution—

(A) achieves the aggregate amount of deficit reduction to effectuate the reconciliation instructions required for the years covered by that resolution necessary to so balance the budget, and

(B) contains a statement, based on estimates made by the Director of the Congressional Budget Office, that such conference report does so comply.

**SEC. 6702. MONITORING.**

The Committees on the Budget of the House of Representatives and the Senate shall each monitor progress on achieving a balanced budget consistent with the most recently agreed to concurrent resolution on the budget for fiscal year 1996 or any subsequent fiscal year (and the reconciliation Act for that resolution) or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002 (and the reconciliation Act for that resolution). After consultation with the Director of the Congressional Budget Office, each such committee shall submit a report of its findings to its House and the President on or before December 15, 1995, and annually thereafter. Each such report shall contain the following:

(1) Estimates of the deficit levels (based on legislation enacted through the date of the report) for each fiscal year through fiscal year 2002.

(2) An analysis of the variance (if any) between those estimated deficit levels and the levels set forth in the concurrent resolution on the budget for fiscal year 1996 or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002.

(3) Policy options to achieve the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

**SEC. 6703. CONGRESSIONAL ACTION.**

Each House of Congress shall incorporate the policy options included in the report of its Committee on the Budget under section 6702(a)(3) (or other policy options) in developing a concurrent resolution on the budget for any fiscal year that achieves the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

**SEC. 6704. PRESIDENTIAL ACTION.**

If the President submits a budget under section 1105(a) of title 31, United States Code, that does not provide for a balanced budget for the United States by fiscal year 2002, then the President shall include with that submission a complete budget that balances the budget by that fiscal year.

The CHAIRMAN. No amendment to the amendment in the nature of a substitute is in order except the further amendment in the nature of a substitute printed in part 2 of the report, which may be offered only by the gentleman from Missouri [Mr. GEPHARDT], or his designee, is considered as having been read, is debatable for one hour, equally divided and controlled by the proponent and an opponent of the amendment, and is not subject to amendment.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. GEPHARDT

Mr. GEPHARDT. Mr. Chairman, I offer an amendment in the nature of a substitute made in order under the rule.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. GEPHARDT.

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE; TABLE CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the ''School Act of 1995''.

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

TITLE I—INCENTIVES FOR INVESTMENT IN HIGHER EDUCATION

Sec. 101. Deduction for higher education expenses.
Sec. 102. Deduction for interest on loans for higher education.
Sec. 103. Expansion of education saving bond program.
Sec. 104. Deduction for IRA contributions available to all middle-income taxpayers.
Sec. 105. Distributions from individual retirement plans may be used without penalty to pay higher education expenses.
Sec. 106. Spousal IRA computed on basis of compensation of both spouses.

TITLE II—NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS

Sec. 201. Establishment of nondeductible tax-free individual retirement accounts.

TITLE III—TAX BENEFITS CONTINGENT ON FEDERAL BUDGET

Sec. 301. Effective dates of tax benefits delayed until Federal budget projected to be in balance.
Sec. 302. Termination of tax benefits if Federal budget deficit reduction targets are not met.

TITLE IV—REVISIONS TO DISCRETIONARY SPENDING LIMITS AND BUDGET PROCESS

Sec. 401. Short title.
Sec. 402. Discretionary spending limits.
Sec. 403. General statement and definitions.
Sec. 404. Enforcing discretionary spending limits.
Sec. 405. Enforcing pay-as-you-go.
Sec. 406. Reports and orders.
Sec. 407. Technical correction.
Sec. 408. Effective date.
Sec. 409. Savings from provisions of this title reducing discretionary spending to be added to pay-as-you-go scorecard.
Sec. 410. Clarification of order in which adjustments to discretionary spending limits are to be made.

TITLE V—PROVISIONS RELATING TO INTERNATIONAL TAXATION

Sec. 501. Revision of tax rules on expatriation.
Sec. 502. Improved information reporting on foreign trusts.
Sec. 503. Modification of rules relating to foreign trusts having one or more United States beneficiaries.
Sec. 504. Foreign persons not to be treated as owners under grantor trust rules.
Sec. 505. Gratuitous transfers by partnerships and foreign corporations.
Sec. 506. Information reporting regarding large foreign gifts.
Sec. 507. Modification of rules relating to foreign trusts which are not grantor trusts.
Sec. 508. Residence of estates and trusts.

TITLE VI—EXTENSION OF AUTHORITY OF FEDERAL COMMUNICATIONS COMMISSION TO USE COMPETITIVE BIDDING

Sec. 601. Extension of authority.

TITLE VII—PRIVATIZATION OF THE UNITED STATES ENRICHMENT CORPORATION

Sec. 701. Short title and reference.
Sec. 702. Production facility.
Sec. 703. Definitions.
Sec. 704. Employees of the corporation.
Sec. 705. Marketing and contracting authority.
Sec. 706. Privatization of the corporation.
Sec. 707. Periodic certification of compliance.
Sec. 708. Licensing of other technologies.
Sec. 709. Conforming amendments.

## TITLE I—INCENTIVES FOR INVESTMENT IN HIGHER EDUCATION

**SEC. 101. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

(a) DEDUCTION ALLOWED.— Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by redesignating section 220 as section 221 and by inserting after section 219 the following new section:

**''SEC. 220. HIGHER EDUCATION TUITION AND FEES.**

''(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction the amount of qualified higher education expenses paid by the taxpayer during the taxable year.

''(b) LIMITATIONS.—

''(1) DOLLAR LIMITATION.—

''(A) IN GENERAL.—The amount allowed as a deduction under subsection (a) for any taxable year shall not exceed $10,000.

''(B) PHASE-IN.—In the case of taxable years beginning in 1996, 1997, or 1998, '$5,000' shall be substituted for '$10,000' in subparagraph (A).

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(A) IN GENERAL.—The amount which would (but for this paragraph) be taken into account under paragraph (1) shall be reduced (but not below zero) by the amount determined under subparagraph (B).

''(B) AMOUNT OF REDUCTION.—The amount determined under this subparagraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

''(i) the excess of—

''(I) the taxpayer's modified adjusted gross income for such taxable year, over

''(II) $50,000 ($75,000 in the case of a joint return), bears to

''(ii) $10,000.

''(C) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

''(i) without regard to this section and sections 911, 931, and 933, and

''(ii) after the application of sections 86, 135, 219 and 469.

For purposes of sections 86, 135, 219, and 469, adjusted gross income shall be determined without regard to the deduction allowed under this section.

''(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

''(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse, or

''(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151,

as an eligible student at an institution of higher education.

''(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such expenses—

''(i) are part of a degree program, or

''(ii) are deductible under this chapter without regard to this section.

''(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student's academic course of instruction.

''(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term 'eligible student' means a student who—

''(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

''(ii)(I) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education, or

''(II) is enrolled in a course which enables the student to improve the student's job skills or to acquire new job skills.

''(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

''(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution which—

''(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

''(B) is eligible to participate in programs under title IV of such Act.

''(d) SPECIAL RULES.—

''(1) NO DOUBLE BENEFIT.—

''(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for qualified higher education expenses with respect to which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expenses under such other provision.

''(B) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

''(C) SAVINGS BOND EXCLUSION.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 for the taxable year.

''(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

''(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for any taxable year only to the extent the qualified higher education expenses are in connection with enrollment at an institution of higher education during the taxable year.

''(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the 1st 3 months of the next taxable year.

''(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

''(A) a qualified scholarship which under section 117 is not includable in gross income,

''(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

''(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

''(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year. The preceeding sentence shall not apply if the taxpayer lives apart from his spouse at all times during the taxable year.

''(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.''

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (15) the following new paragraph:

''(16) HIGHER EDUCATION TUITION AND FEES.—The deduction allowed by section 220.''

(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by striking the item relating to section 220 and inserting:

''Sec. 220. Higher education tuition and fees.

''Sec. 221. Cross reference.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after December 31, 1995.

**SEC. 102. DEDUCTION FOR INTEREST ON LOANS FOR HIGHER EDUCATION.**

(a) IN GENERAL.—Paragraph (2) of section 163(h) of the Internal Revenue Code of 1986 (defining personal interest) is amended by striking ''and'' at the end of subparagraph (D), by redesignating subparagraph (E) as subparagraph (F), and by inserting after subparagraph (D) the following new subparagraph:

''(E) any interest on a qualified higher education loan, and''.

(b) QUALIFIED HIGHER EDUCATION LOAN DEFINED.—Paragraph (5) of section 163(h) of such Code (relating to phase-in of limitations) is amended to read as follows:

''(5) QUALIFIED HIGHER EDUCATION LOAN.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified higher education loan' means any loan incurred by the taxpayer under a State or Federal student loan program to pay qualified higher education expenses (as defined in section 220(c))—

''(i) which are paid or incurred within a reasonable period of time before or after the indebtedness is incurred, and

''(ii) which are attributable to education furnished during a period during which the recipient was an eligible student (as defined in such section).

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified higher education loan.

''(B) REDUCTION OF BENEFIT FOR HIGHER INCOME TAXPAYERS.—

''(i) IN GENERAL.—The amount of interest which would (but for this subparagraph) be taken into account under paragraph (2)(E) for the taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the amount of such interest as—

''(I) the excess of the taxpayer's modified adjusted gross income for such taxable year over $50,000 ($75,000 in the case of a joint return), bears to

''(II) $10,000.

''(ii) MODIFIED ADJUSTED GROSS INCOME.—For purposes of clause (i), the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

''(I) without regard to paragraph (2)(E) and sections 911, 931, and 933, and

''(II) after the application of sections 86, 135, 219, 220, and 469.

For purposes of sections 86, 135, 219, 220, and 469, adjusted gross income shall be determined without regard to the deduction allowed by reason of paragraph (2)(E).

''(C) COORDINATION WITH LIMITATION ON HOME EQUITY INDEBTEDNESS.—Any qualified higher education loan shall not be taken into account for purposes of applying the limitation of paragraph (3)(C)(ii).

''(D) COORDINATION WITH SAVINGS BOND EXCLUSION.—The amount of qualified higher education expenses for any taxable year otherwise taken into account under subparagraph (A) shall be reduced by any amount excludable from gross income under section 135 for such taxable year.

''(E) OTHER RULES TO APPLY.—Rules similar to the rules of subparagraphs (B) and (C) of paragraph (1), and paragraphs (3), (4), and (5), of section 220(d), shall apply for purposes of this section.''

(c) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (16) the following new paragraph:

''(17) INTEREST ON LOANS FOR HIGHER EDUCATION.—The deduction allowed by section 163 to the extent attributable to any qualified higher education loan (as defined in section 163(h)(5)).''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued after December 31, 1995.

**SEC. 103. EXPANSION OF EDUCATION SAVING BOND PROGRAM.**

(a) HIGHER YIELD ON GUARANTEED EDUCATION PLAN BONDS.—Subsection (b) of section 3101 of title 31, United States Code, is amended by adding at the end the following new paragraph:

''(3)(A) The Secretary shall issue savings bonds which are designated as Guaranteed Education Plan Bonds.

''(B)(i) Except as provided in clause (ii) or by the Secretary, Guaranteed Education Plan Bonds shall have the same terms and conditions as other savings bonds.

''(ii) Guaranteed Education Plan Bonds, if redeemed under circumstances such that the Secretary is reasonably certain that the redemption proceeds will be used to pay the qualified higher education expenses (as defined in section 135 of the Internal Revenue Code of 1986) of the individual holding the bond, shall have an investment yield which is materially greater than the investment yield when not so used.''

(b) REDUCTION OF AGE LIMIT ON INDIVIDUAL TO WHOM BOND ISSUED.—Subparagraph (B) of

section 135(b)(1) is amended by striking ''age 24'' and inserting ''age 21''.

(c) TAXPAYER NEED NOT BE PURCHASER OF BOND.—Nothing in section 135 of the Internal Revenue Code of 1986 shall be construed to require that, in order for a savings bond to be a qualified United States savings bond under such section, the purchaser of the bond must be the individual to whom the bond is issued.

(d) LIMITATION ON INFLATION ADJUSTMENT.—Subparagraph (B) of section 135(b)(2) is amended by adding at the end the following new flush sentence:

''In no event shall be adjustment under this subparagraph increase the $40,000 amount to more than $50,000 or the $60,000 amount to more than $70,000.''

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

(2) SUBSECTION (d).—The amendment made by subsection (d) shall apply to taxable years beginning after December 31, 1995.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for the administrative expenses of the Department of the Treasury to carry out the amendment made by subsection (a)—

(1) $650,000 for the fiscal year beginning after the date of the enactment of this Act, and

(2) $11,900,000 for each following fiscal year.

**SEC. 104. DEDUCTION FOR IRA CONTRIBUTIONS AVAILABLE TO ALL MIDDLE-INCOME TAXPAYERS.**

(a) IN GENERAL.—Subparagraph (B) of section 219(g)(3) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''$40,000'' in clause (i) and inserting ''$75,000'', and

(2) by striking ''$25,000'' in clause (ii) and inserting ''$50,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions for taxable years beginning after December 31, 1995.

**SEC. 105. DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS MAY BE USED WITHOUT PENALTY TO PAY HIGHER EDUCATION EXPENSES.**

(a) IN GENERAL.—Paragraph (2) of section 72(t) of the Internal Revenue Code of 1986 (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end thereof the following new subparagraph:

''(D) DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR HIGHER EDUCATIONAL EXPENSES.—Distributions to an individual from an individual retirement plan to the extent such distributions during the taxable year do not exceed the amount allowed as a deduction under section 220 to the taxpayer for such taxable year.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 1995.

**SEC. 106. SPOUSAL IRA COMPUTED ON BASIS OF COMPENSATION OF BOTH SPOUSES.**

(a) IN GENERAL.—Subsection (c) of section 219 of the Internal Revenue Code of 1986 (relating to special rules for certain married individuals) is amended to read as follows:

''(c) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—

''(1) IN GENERAL.—In the case of an individual to whom this paragraph applies for the taxable year, the limitation of subsection (b)(1) shall be equal to the lesser of—

''(A) $2,000, or

''(B) the sum of—

''(i) the compensation includible in such individual's gross income for the taxable year, plus

''(ii) the compensation includible in the gross income of such individual's spouse for the taxable year reduced by the amount allowable as a deduction under subsection (a) to such spouse for such taxable year.

''(2) INDIVIDUALS TO WHOM PARAGRAPH (1) APPLIES.—Paragraph (1) shall apply to any individual if—

''(A) such individual files a joint return for the taxable year, and

''(B) the amount of compensation (if any) includible in such individual's gross income for the taxable year is less than the compensation includible in the gross income of such individual's spouse for the taxable year.

''(3) PHASEIN OF BENEFIT.—The amount determined under paragraph (1)(B)(ii) for any taxable year beginning in a calendar year shall not exceed the sum of—

''(A) $250, plus

''(B) the product of $250 and the number of calendar years which such calendar year is after 1996.''

(b) TECHNICAL AMENDMENT.—Paragraph (2) of section 219(f) of such Code (relating to other definitions and special rules) is amended by striking ''subsections (b) and (c)'' and inserting ''subsection (b)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions for taxable years beginning after December 31, 1995.

## TITLE II—NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS

**SEC. 201. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE INDIVIDUAL RETIREMENT ACCOUNTS.**

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408 the following new section:

**''SEC. 408A. SPECIAL INDIVIDUAL RETIREMENT ACCOUNTS.**

''(a) GENERAL RULE.—Except as provided in this chapter, a special individual retirement account shall be treated for purposes of this title in the same manner as an individual retirement plan.

''(b) SPECIAL INDIVIDUAL RETIREMENT ACCOUNT.—For purposes of this title, the term 'special individual retirement account' means an individual retirement plan which is designated at the time of establishment of the plan as a special individual retirement account.

''(c) TREATMENT OF CONTRIBUTIONS.—

''(1) NO DEDUCTION ALLOWED.—No deduction shall be allowed under section 219 for a contribution to a special individual retirement account.

''(2) CONTRIBUTION LIMIT.—The aggregate amount of contributions for any taxable year to all special individual retirement accounts maintained for the benefit of an individual shall not exceed the excess (if any) of—

''(A) the maximum amount allowable as a deduction under section 219 with respect to such individual for such taxable year, over

''(B) the amount so allowed.

''(3) SPECIAL RULES FOR QUALIFIED TRANSFERS.—

''(A) IN GENERAL.—No rollover contribution may be made to a special individual retirement account unless it is a qualified transfer.

''(B) LIMIT NOT TO APPLY.—The limitation under paragraph (2) shall not apply to a qualified transfer to a special individual retirement account.

''(d) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) IN GENERAL.—Except as provided in this subsection, any amount paid or distributed out of a special individual retirement account shall not be included in the gross income of the distributee.

''(2) EXCEPTION FOR EARNINGS ON CONTRIBUTIONS HELD LESS THAN 5 YEARS.—

''(A) IN GENERAL.—Any amount distributed out of a special individual retirement account which consists of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution shall be included in the gross income of the distributee for the taxable year in which the distribution occurs.

''(B) ORDERING RULE.—

''(i) FIRST-IN, FIRST-OUT RULE.—Distributions from a special individual retirement account shall be treated as having been made—

''(I) first from the earliest contribution (and earnings allocable thereto) remaining in the account at the time of the distribution, and

''(II) then from other contributions (and earnings allocable thereto) in the order in which made.

''(ii) ALLOCATIONS BETWEEN CONTRIBUTIONS AND EARNINGS.—Any portion of a distribution allocated to a contribution (and earnings allocable thereto) shall be treated as allocated first to the earnings and then to the contribution.

''(iii) ALLOCATION OF EARNINGS.—Earnings shall be allocated to a contribution in such manner as the Secretary may by regulations prescribe.

''(iv) CONTRIBUTIONS IN SAME YEAR.—Except as provided in regulations, all contributions made during the same taxable year may be treated as 1 contribution for purposes of this subparagraph.

''(C) CROSS REFERENCE.—

**''For additional tax for early withdrawal, see section 72(t).**

''(3) QUALIFIED TRANSFER.—

''(A) IN GENERAL.—Paragraph (2) shall not apply to any distribution which is transferred in a qualified transfer to another special individual retirement account.

''(B) CONTRIBUTION PERIOD.—For purposes of paragraph (2), the special individual retirement account to which any contributions are transferred shall be treated as having held such contributions during any period such contributions were held (or are treated as held under this subparagraph) by the special individual retirement account from which transferred.

''(4) SPECIAL RULES RELATING TO CERTAIN TRANSFERS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of a qualified transfer to a special individual retirement account from an individual retirement plan which is not a special individual retirement account—

''(i) there shall be included in gross income any amount which, but for the qualified transfer, would be includible in gross income, but

''(ii) section 72(t) shall not apply to such amount.

''(B) TIME FOR INCLUSION.—In the case of any qualified transfer which occurs before January 1, 1997, any amount includible in gross income under subparagraph (A) with respect to such contribution shall be includible ratably over the 4-taxable year period beginning in the taxable year in which the amount was paid or distributed out of the individual retirement plan.

''(e) QUALIFIED TRANSFER.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified transfer' means a transfer to a special individual retirement account from another such account or from an individual retirement plan but only if such transfer meets the requirements of section 408(d)(3).

''(2) LIMITATION.—A transfer otherwise described in paragraph (1) shall not be treated

as a qualified transfer if the taxpayer's adjusted gross income for the taxable year of the transfer exceeds the sum of—

''(A) the applicable dollar amount, plus

''(B) the dollar amount applicable for the taxable year under section 219(g)(2)(A)(ii).

This paragraph shall not apply to a transfer from a special individual retirement account to another special individual retirement account.

''(3) DEFINITIONS.—For purposes of this subsection, the terms 'adjusted gross income' and 'applicable dollar amount' have the meanings given such terms by section 219(g)(3), except subparagraph (A)(ii) thereof shall be applied without regard to the phrase 'or the deduction allowable under this section'.''

(b) EARLY WITHDRAWAL PENALTY.—Section 72(t) of such Code is amended by adding at the end the following new paragraph:

''(6) RULES RELATING TO SPECIAL INDIVIDUAL RETIREMENT ACCOUNTS.—In the case of a special individual retirement account under section 408A—

''(A) this subsection shall only apply to distributions out of such account which consist of earnings allocable to contributions made to the account during the 5-year period ending on the day before such distribution, and

''(B) paragraph (2)(A)(i) shall not apply to any distribution described in subparagraph (A).''

(c) EXCESS CONTRIBUTIONS.—Section 4973(b) of such Code is amended by adding at the end the following new sentence: ''For purposes of paragraphs (1)(B) and (2)(C), the amount allowable as a deduction under section 219 shall be computed without regard to section 408A.''

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part I of subchapter D of chapter 1 of such Code is amended by inserting after the item relating to section 408 the following new item:

''Sec. 408A. Special individual retirement accounts.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

## TITLE III—TAX BENEFITS CONTINGENT ON FEDERAL BUDGET

### SEC. 301. EFFECTIVE DATES OF TAX BENEFITS DELAYED UNTIL FEDERAL BUDGET PROJECTED TO BE IN BALANCE.

(a) IN GENERAL.—Notwithstanding any provision of title I or II of this Act and any amendment made by such titles, except as otherwise provided in this section—

(1) any reference in this such titles (or in any amendment made by such titles) to 1995 shall be treated as a reference to the calendar year ending in the first successful deficit reduction year, and

(2) any reference in such titles (or in any amendment made by such titles) to any later calendar year shall be treated as a reference to the calendar year which is the same number of years after such first calendar year as such later year is after 1995.

(b) FIRST SUCCESSFUL DEFICIT REDUCTION YEAR.—For purposes of this section and section 302—

(1) IN GENERAL.—The term ''first successful deficit reduction year'' means the first fiscal year beginning after the date of the enactment of this Act with respect to which there is an OMB certification before the beginning of such fiscal year that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

(2) OMB CERTIFICATION.—The term ''OMB certification'' means a written certification by the Director of the Office of Management and Budget to the President and the Congress.

(c) CERTIFICATION DURING 1995.—Subsection (a) shall not apply if there is an OMB certification made during 1995 that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

### SEC. 302. TERMINATION OF TAX BENEFITS IF FEDERAL BUDGET DEFICIT REDUCTION TARGETS ARE NOT MET.

(a) NO CREDITS, DEDUCTIONS, EXCLUSIONS, PREFERENTIAL RATE OF TAX, ETC.—No tax benefit provided by any provision of the Internal Revenue Code of 1986 added by title I or II of this Act shall apply to any taxable year beginning after the calendar year in which the first failed deficit reduction year ends.

(b) FIRST FAILED DEFICIT REDUCTION YEAR.—For purposes of this section, the term ''first failed deficit reduction year'' means the first fiscal year (beginning after the earliest date on which any amendment made by title I or II takes effect) with respect to which there is an OMB certification during the 3-month period after the close of such fiscal year that the actual deficit in the budget of the United States for such fiscal year was greater than the deficit target for such fiscal year specified in the following table:

| ''In the case of fiscal year: | The deficit target (in billions) is: |
|---|---|
| 1996 | $150 |
| 1997 | 125 |
| 1998 | 100 |
| 1999 | 75 |
| 2000 | 50 |
| 2001 | 25 |
| 2002 or thereafter | 0. |

## TITLE IV—REVISIONS TO DISCRETIONARY SPENDING LIMITS AND BUDGET PROCESS

### SEC. 401. SHORT TITLE.

This title may be cited as the ''Discretionary Spending Reduction and Control Act of 1995''.

### SEC. 402. DISCRETIONARY SPENDING LIMITS.

(a) LIMITS.—Section 601(a)(2) of the Congressional Budget Act of 1974 is amended by striking subparagraphs (A), (B), (C), (D), and (F), by redesignating subparagraph (E) as subparagraph (A) and by striking ''and'' at the end of that subparagraph, and by inserting after subparagraph (A) the following new subparagraphs:

''(B) with respect to fiscal year 1996, for the discretionary category: $516,478,000,000 in new budget authority and $549,054,000,000 in outlays;

''(C) with respect to fiscal year 1997, for the discretionary category: $522,894,000,000 in new budget authority and $544,051,000,000 in outlays;

''(D) with respect to fiscal year 1998, for the discretionary category: $528,810,000,000 in new budget authority and $545,548,000,000 in outlays;

''(E) with respect to fiscal year 1999, for the discretionary category: $527,753,000,000 in new budget authority and $544,402,000,000 in outlays; and

''(F) with respect to fiscal year 2000, for the discretionary category: $527,040,000,000 in new budget authority and $543,357,000,000 in outlays;''.

(b) COMMITTEE ALLOCATIONS AND ENFORCEMENT.—Section 602 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (c), by striking ''1995'' and inserting ''2000'' and by striking its last sentence; and

(2) in subsection (d), by striking ''1992 TO 1995'' in the side heading and inserting ''1995 TO 2000'' and by striking ''1992 through 1995'' and inserting ''1995 through 2000''.

(c) FIVE-YEAR BUDGET RESOLUTIONS.—Section 606 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (a), by striking ''1992, 1993, 1994, or 1995'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000''; and

(2) in subsection (d)(1), by striking ''1992, 1993, 1994, and 1995'' and inserting ''1995, 1996, 1997, 1998, 1999, and 2000'', and by striking ''(i) and (ii)''.

(d) EFFECTIVE DATE.—Section 607 of the Congressional Budget Act of 1974 is amended by striking ''1991 to 1998'' and inserting ''1995 to 2000''.

(e) SEQUESTRATION REGARDING CRIME TRUST FUND.—Section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking its last sentence and inserting the following:

''(E) For fiscal year 1999, $5,639,000,000.

''(F) For fiscal year 2000, $6,225,000,000.

### SEC. 403. GENERAL STATEMENT AND DEFINITIONS.

(a) GENERAL STATEMENT.—Section 250(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the first sentence and inserting the following: ''This part provides for the enforcement of deficit reduction through discretionary spending limits and pay-as-you-go requirements for fiscal years 1995 through 2000.''.

(b) DEFINITIONS.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking paragraph (4) and inserting the following:

''(4) The term 'category' means all discretionary appropriations.'';

(2) by striking paragraph (6) and inserting the following:

''(6) The term 'budgetary resources' means new budget authority, unobligated balances, direct spending authority, and obligation limitations.'';

(3) in paragraph (9), by striking ''1992'' and inserting ''1995'';

(4) in paragraph (14), by striking ''1995'' and inserting ''2000''; and

(5) by striking paragraph (17) and by redesignating paragraphs (18) through (21) as paragraphs (17) through (20), respectively.

### SEC. 404. ENFORCING DISCRETIONARY SPENDING LIMITS.

Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking ''1991–1998'' and inserting ''1995–2000'';

(2) in the first sentence of subsection (b)(1), by striking ''1992, 1993, 1994, 1995, 1996, 1997 or 1998'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000'' and by striking ''through 1998'' and inserting ''through 2000'';

(3) in subsection (b)(1), by striking subparagraphs (B) and (C) and by striking ''the following:'' and all that follows through ''The adjustments'' and inserting ''the following: the adjustments'';

(4) in subsection (b)(2), by striking ''1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998'' and inserting ''1995, 1996, 1997, 1998, 1999, or 2000'' and by striking ''through 1998'' and inserting ''through 2000'';

(5) by striking subparagraphs (A), (B), and (C) of subsection (b)(2);

(6) in subsection (b)(2)(E), by striking clauses (i), (ii), and (iii) and by striking ''(iv) if, for fiscal years 1994, 1995, 1996, 1997, and 1998'' and inserting ''If, for fiscal years 1995, 1996, 1997, 1998, 1999, and 2000''; and

(7) in subsection (b)(2)(F), strike everything after ''the adjustment in outlays'' and insert ''for a category for a fiscal year shall not exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1996, 1997, 1998, 1999, or 2000.''.

**SEC. 405. ENFORCING PAY-AS-YOU-GO.**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking ''1992–1998'' and inserting ''1995–2000'';

(2) in subsection (d), by striking ''1998'' each place it appears and inserting ''2000''; and

(3) in subsection (e), by striking ''1991 through 1998'' and inserting ''1995 through 2000'' and by striking ''through 1995'' and inserting ''through 2000''.

**SEC. 406. REPORTS AND ORDERS.**

Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (d)(2), by striking ''1998'' and inserting ''2000''; and

(2) in subsection (g), by striking ''1998'' each place it appears and inserting ''2000''.

**SEC. 407. TECHNICAL CORRECTION.**

Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled ''Modification of Presidential Order'', is repealed.

**SEC. 408. EFFECTIVE DATE.**

(a) EXPIRATION.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking ''1995'' and inserting ''2000''.

(b) EXPIRATION.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note; 2 U.S.C. 665 note) is repealed.

**SEC. 409. SAVINGS FROM PROVISIONS OF THIS TITLE REDUCING DISCRETIONARY SPENDING TO BE ADDED TO PAY-AS-YOU-GO SCORECARD.**

(a)(1) The net change in outlays for any fiscal year through fiscal year 2000 estimated to result from provisions of this title revising or extending limits on discretionary spending and spending from the Violent Crime Reduction Trust Fund shall be considered a change in direct spending for purposes of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) In applying paragraph (1), the change in outlays resulting from provisions of this title revising and extending the limits on discretionary spending set forth in section 601(a)(2) of the Congressional Budget Act of 1974 shall be computed as follows:

(A) For fiscal years 1996 through 1998, by comparing the outlay limit resulting from this title for each year with the outlay limit for that year in effect immediately prior to enactment of this Act.

(B) For fiscal years 1999 and 2000, by comparing the outlay limit resulting from this title for each year with the limit for fiscal year 1998 in effect immediately prior to enactment of this Act.

(3) In applying paragraph (1), the change in outlays resulting from provisions of this title extending the limits on spending from the Violent Crime Reduction Trust Fund set forth in section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be computed by comparing the outlay limit resulting from this title for each year with the level of outlays for that year referred to in the last 2 sentences of section 251A(b)(1) of such Act as in effect immediately before the enactment of this Act.

(b) Except as provided in subsection (a), no statutory reduction in the discretionary spending limits shall be counted in estimates under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985.

**SEC. 410. CLARIFICATION OF ORDER IN WHICH ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS ARE TO BE MADE.**

In the OMB final sequestration report for fiscal year 1996—

(1) all adjustments required by section 251(b)(2) made after the preview report for fiscal year 1996 shall be made to the discretionary spending limits set forth in 601(a)(2) of the Congressional Budget Act of 1974 as amended by section 402; and

(2) all statutory changes in the discretionary spending limits made by the Personal Responsibility Act of 1995 or by the Act entitled ''An Act making emergency supplemental appropriations for additional disaster assistance and making rescissions for the fiscal year ending September 30, 1995, and for other purposes'' shall be made to those limits.

## TITLE V—PROVISIONS RELATING TO INTERNATIONAL TAXATION

**SEC. 501. REVISION OF TAX RULES ON EXPATRIATION.**

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 877 the following new section:

**''SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

''(a) GENERAL RULES.—For purposes of this subtitle—

''(1) CITIZENS.—If any United States citizen relinquishes his citizenship during a taxable year, all property held by such citizen at the time immediately before such relinquishment shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for such taxable year.

''(2) CERTAIN RESIDENTS.—If any long-term resident of the United States ceases to be subject to tax as a resident of the United States for any portion of any taxable year, all property held by such resident at the time of such cessation shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for the taxable year which includes the date of such cessation.

''(b) EXCLUSION FOR CERTAIN GAIN.—The amount which would (but for this subsection) be includible in the gross income of any taxpayer by reason of subsection (a) shall be reduced (but not below zero) by $600,000.

''(c) PROPERTY TREATED AS HELD.—For purposes of this section, except as otherwise provided by the Secretary, an individual shall be treated as holding—

''(1) all property which would be includible in his gross estate under chapter 11 were such individual to die at the time the property is treated as sold,

''(2) any other interest in a trust which the individual is treated as holding under the rules of section 679(e) (determined by treating such section as applying to foreign and domestic trusts), and

''(3) any other interest in property specified by the Secretary as necessary or appropriate to carry out the purposes of this section.

''(d) EXCEPTIONS.—The following property shall not be treated as sold for purposes of this section:

''(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the date the individual relinquishes his citizenship or ceases to be subject to tax as a resident, meet the requirements of section 897(c)(2).

''(2) INTEREST IN CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(d)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.

''(B) FOREIGN PENSION PLANS.—

''(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.

''(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed $500,000.

''(e) DEFINITIONS.—For purposes of this section—

''(1) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the date the United States Department of State issues to the individual a certificate of loss of nationality or on the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

''(2) LONG-TERM RESIDENT.—

''(A) IN GENERAL.—The term 'long-term resident' means any individual (other than a citizen of the United States) who is a lawful permanent resident of the United States and, as a result of such status, has been subject to tax as a resident in at least 10 taxable years during the period of 15 taxable years ending with the taxable year during which the sale under subsection (a) is treated as occurring.

''(B) SPECIAL RULE.—For purposes of subparagraph (A), there shall not be taken into account—

''(i) any taxable year during which any prior sale is treated under subsection (a) as occurring, or

''(ii) any taxable year prior to the taxable year referred to in clause (i).

''(f) TERMINATION OF DEFERRALS, ETC.—On the date any property held by an individual is treated as sold under subsection (a)—

''(1) any period deferring recognition of income or gain shall terminate, and

''(2) any extension of time for payment of tax shall cease to apply and the unpaid portion of such tax shall be due and payable.

''(g) ELECTION BY EXPATRIATING RESIDENTS.—Solely for purposes of determining gain under subsection (a)—

''(1) IN GENERAL.—At the election of a resident not a citizen of the United States, property—

''(A) which was held by such resident on the date the individual first became a resident of the United States during the period of long-term residency to which the treatment under subsection (a) relates, and

''(B) which is treated as sold under subsection (a),

shall be treated as having a basis on such date of not less than the fair market value of such property on such date.

''(2) ELECTION.—Such an election shall apply to all property described in paragraph (1), and, once made, shall be irrevocable.

''(h) DEFERRAL OF TAX ON CLOSELY HELD BUSINESS INTERESTS.—The District Director may enter into an agreement with any individual which permits such individual to defer payment for not more than 5 years of any tax imposed by subsection (a) by reason of holding any interest in a closely held business (as defined in section 6166(b)) other than a United States real property interest described in subsection (d)(1).

''(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

''(j) CROSS REFERENCE.—

**''For termination of United States citizenship for tax purposes, see section 7701(a)(47).''**

(b) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

''(47) TERMINATION OF UNITED STATES CITIZENSHIP.—An individual shall not cease to be treated as a United States citizen before the

date on which the individual's citizenship is treated as relinquished under section 877A(e)(1).''

(c) CONFORMING AMENDMENTS.—

(1) Section 877 of such Code is amended by adding at the end the following new subsection:

''(f) TERMINATION.—This section shall not apply to any individual who is subject to the provisions of section 877A.''

(2) Paragraph (10) of section 7701(b) of such Code is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any individual who is subject to the provisions of section 877A.''

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) United States citizens who relinquish (within the meaning of section 877A(e)(1) of the Internal Revenue Code of 1986, as added by this section) United States citizenship on or after February 6, 1995, and

(2) long-term residents (as defined in such section) who cease to be subject to tax as residents of the United States on or after such date.

**SEC. 502. IMPROVED INFORMATION REPORTING ON FOREIGN TRUSTS.**

(a) IN GENERAL.—Section 6048 of the Internal Revenue Code of 1986 (relating to returns as to certain foreign trusts) is amended to read as follows:

**''SEC. 6048. INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.**

''(a) NOTICE OF CERTAIN EVENTS.—

''(1) GENERAL RULE.—On or before the 90th day (or such later day as the Secretary may prescribe) after any reportable event, the responsible party shall—

''(A) notify each trustee of the trust of the requirements of subsection (b), and

''(B) provide written notice of such event to the Secretary in accordance with paragraph (2).

''(2) CONTENTS OF NOTICE.—The notice required by paragraph (1)(B) shall contain such information as the Secretary may prescribe, including—

''(A) the amount of money or other property (if any) transferred to the trust in connection with the reportable event,

''(B) the identity of the trust and of each trustee and beneficiary (or class of beneficiaries) of the trust, and

''(C) a statement that each trustee of the trust has been informed of the requirements of subsection (b).

''(3) REPORTABLE EVENT.—For purposes of this subsection, the term 'reportable event' means—

''(A) the creation of any foreign trust by a United States person,

''(B) the transfer of any money or property to a foreign trust by a United States person, including a transfer by reason of death,

''(C) a domestic trust becoming a foreign trust,

''(D) the death of a citizen or resident of the United States who is a grantor of a foreign trust, and

''(E) the residency starting date (within the meaning of section 7701(b)(2)(A)) of a grantor of a foreign trust subject to tax under section 679(a)(3).

Subparagraphs (A) and (B) shall not apply with respect to a trust described in section 404(a)(4) or 404A.

''(4) RESPONSIBLE PARTY.—For purposes of this subsection, the term 'responsible party' means—

''(A) the grantor in the case of a reportable event described in subparagraph (A) or (E) of paragraph (3),

''(B) the transferor in the case of a reportable event described in paragraph (3)(B) other than a transfer by reason of death,

''(C) the trustee of the domestic trust in the case of a reportable event described in paragraph (3)(C), and

''(D) the executor of the decedent's estate in the case of a transfer by reason of death.

''(b) TRUST REPORTING REQUIREMENTS.—If a foreign trust, at any time during a taxable year of such trust—

''(1) has a grantor who is a United States person and—

''(A) such grantor is treated as the owner of any portion of such trust under the rules of subpart E of part I of subchapter J of chapter 1, or

''(B) any portion of such trust would be included in the gross estate of such grantor if the grantor were to die at such time, or

''(2) directly or indirectly distributes, credits, or allocates money or property to any United States person (whether or not the trust has a grantor described in paragraph (1)),

then such trust shall meet the requirements of subsection (c) (relating to trust information and agent) and subsection (d) (relating to annual return).

''(c) CONTENTS OF SECTION 6048 STATEMENT.—

''(1) IN GENERAL.—The requirements of this subsection are met if the trust files with the Secretary a statement which contains such information as the Secretary may prescribe and which—

''(A) identifies a United States person who is the trust's limited agent to provide the Secretary with such information that reasonably should be available to the trust for purposes of applying sections 7602, 7603, and 7604 with respect to any request by the Secretary to examine trust records or produce testimony related to any transaction by the trust or with respect to any summons by the Secretary for such records or testimony, and

''(B) contains an agreement to comply with the requirements of subsection (d).

''(2) SPECIAL RULE.—A foreign trust which appoints an agent described in paragraph (1)(A) shall not be considered to have an office or a permanent establishment in the United States solely because of the activities of such agent pursuant to this section. For purposes of this section, the appearance of persons or production of records by reason of the creation of the agency shall not subject such persons or records to legal process for any purpose other than determining the correct treatment under this title of the activities and operations of the trust.

''(d) ANNUAL RETURNS AND STATEMENTS.—The requirements of this subsection are met if—

''(1) the trust makes a return for the taxable year which sets forth a full and complete accounting of all trust activities and operations for the taxable year, and contains such other information as the Secretary may prescribe; and

''(2) the trust furnishes such information as the Secretary may prescribe to each United States person—

''(A) who is treated as the owner of any portion of such trust under the rules of subpart E of part I of subchapter J of chapter 1,

''(B) to whom any item with respect to the taxable year is credited or allocated, or

''(C) who receives a distribution from such trust with respect to the taxable year.

''(e) TIME AND MANNER OF FILING INFORMATION.—Any notice, statement, or return required under this section shall be made at such time and in such manner as the Secretary shall prescribe.

''(f) MODIFICATION OF RETURN REQUIREMENTS.—The Secretary is authorized to suspend or modify any requirement of this section if the Secretary determines that the United States has no significant tax interest in obtaining the required information.''

(b) PENALTIES.—Section 6677 of such Code (relating to failure to file information returns with respect to certain foreign trusts) is amended to read as follows:

**''SEC. 6677. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN FOREIGN TRUSTS.**

''(a) FAILURE TO REPORT CERTAIN EVENTS.—

''(1) IN GENERAL.—In the case of a reportable event described in any subparagraph of section 6048(a)(3) for which a responsible party does not file a written notice meeting the requirements of section 6048(a)(2) within the time specified in section 6048(a)(1), the responsible party shall pay a penalty of $10,000. If any failure described in the preceding sentence continues for more than 90 days after the day on which the Secretary mails notice of such failure to the responsible party, such party shall pay a penalty (in addition to the $10,000 amount) of $10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period.

''(2) 35-PERCENT PENALTY.—In the case of a reportable event described in subparagraph (A), (B), or (C) of section 6048(a)(3) (other than a transfer by reason of death), the aggregate amount of the penalties under paragraph (1) shall not be less than an amount equal to 35 percent of the gross value of the property involved in such event (determined as of the date of the event).

''(3) RESPONSIBLE PARTY.—For purposes of this subsection, the term 'responsible party' has the meaning given to such term by section 6048(a)(4).

''(b) FAILURE TO MAKE CERTAIN STATEMENTS AND RETURNS.—

''(1) IN GENERAL.—In the case of any failure to meet the requirements of section 6048(b), the appropriate tax treatment of any trust transactions or operations shall be determined by the Secretary in the Secretary's sole discretion from the Secretary's own knowledge or from such information as the Secretary may obtain through testimony or otherwise.

''(2) MONETARY PENALTY.—In the case of any failure to meet the requirements of section 6048(b) with respect to a trust described in such section by reason of paragraph (1) thereof, the grantor described in such paragraph (1) shall pay a penalty of $10,000 for each taxable year with respect to which the foreign trust fails to meet such requirements. If any failure described in the preceding sentence continues for more than 90 days after the day on which the Secretary mails notice of such failure to such grantor, such grantor shall pay a penalty (in addition to any other penalty) of $10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period.

''(c) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by this section on any failure which is shown to be due to reasonable cause and not due to willful neglect. The fact that a foreign jurisdiction would impose a civil or criminal penalty on the taxpayer (or any other person) for disclosing the requested documentation is not reasonable cause.

''(d) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by this section.''

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by striking the item relating to section 6048 and inserting the following new item:

''Sec. 6048. Information with respect to certain foreign trusts.''

(2) The table of sections for part I of subchapter B of chapter 68 of such Code is amended by striking the item relating to section 6677 and inserting the following new item:

''Sec. 6677. Failure to file information with respect to certain foreign trusts.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply—

(A) to reportable events occurring on or after February 6, 1995, and

(B) to the extent such amendments require reporting for any taxable year under section 6048(b) of the Internal Revenue Code of 1986 (as added by this section), to taxable years beginning after the date of the enactment of this Act.

(2) NOTICES.—For purposes of section 6048(a) of such Code, the 90th day referred to therein shall in no event be treated as being earlier than the 90th day after the date of the enactment of this Act.

**SEC. 503. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS HAVING ONE OR MORE UNITED STATES BENEFICIARIES.**

(a) IN GENERAL.—Section 679 of the Internal Revenue Code of 1986 (relating to foreign trusts having one or more United States beneficiaries) is amended to read as follows:

**''SEC. 679. FOREIGN TRUSTS HAVING ONE OR MORE UNITED STATES BENEFICIARIES.**

''(a) TRANSFEROR TREATED AS OWNER.—

''(1) IN GENERAL.—A United States person who directly or indirectly transfers property to a foreign trust (other than a trust described in section 404(a)(4) or section 404A) shall be treated as the owner for his taxable year of the portion of such trust attributable to such property if for such year there is a United States beneficiary of such trust.

''(2) EXCEPTION.—

''(A) IN GENERAL.—Paragraph (1) shall not apply to any sale or exchange of property to a trust if—

''(i) the trust pays fair market value for such property, and

''(ii) all of the gain to the transferor is recognized at the time of transfer.

''(B) CERTAIN OBLIGATIONS NOT TAKEN INTO ACCOUNT.—For purposes of subparagraph (A), in determining whether the transferor received fair market value, there shall not be taken into account—

''(i) any obligation of—

''(I) the trust,

''(II) any grantor or beneficiary of the trust, or

''(III) any person who is related (within the meaning of section 643(i)(3)) to any grantor or beneficiary of the trust, and

''(ii) except as provided in regulations, any obligation which is guaranteed by a person described in clause (i).

''(C) TREATMENT OF DEEMED SALE ELECTION UNDER SECTION 1057.—For purposes of subparagraph (A), a transfer with respect to which an election under section 1057 is made shall not be treated as a sale or exchange.

''(3) SPECIAL RULES APPLICABLE TO FOREIGN GRANTOR WHO LATER BECOMES A UNITED STATES PERSON.—A nonresident alien individual who becomes a United States resident within 5 years after directly or indirectly transferring property to a foreign trust shall be treated for purposes of this section and section 6048 as having transferred such property, and any undistributed income (including all realized and unrealized gains) attributable thereto, to the foreign trust immediately after becoming a United States resident. For this purpose, a nonresident alien shall be treated as becoming a resident of the United States on the residency starting date (within the meaning of section 7701(b)(2)(A)).

''(b) BENEFICIARIES TREATED AS TRANSFERORS IN CERTAIN CASES.—For purposes of this section and section 6048, if—

''(1) a citizen or resident of the United States who is treated as the owner of any portion of a trust under subsection (a) dies,

''(2) property is transferred to a foreign trust by reason of the death of a citizen or resident of the United States, or

''(3) a domestic trust to which any United States person made a transfer becomes a foreign trust,

then, except as otherwise provided in regulations, the trust beneficiaries shall be treated as having transferred to such trust (as of the date of the applicable event under paragraph (1), (2), or (3)) their respective interests (as determined under subsection (e)) in the property involved.

''(c) TRUSTS ACQUIRING UNITED STATES BENEFICIARIES.—If—

''(1) subsection (a) applies to a trust for the transferor's taxable year, and

''(2) subsection (a) would have applied to the trust for the transferor's immediately preceding taxable year but for the fact that for such preceding taxable year there was no United States beneficiary for any portion of the trust,

then, for purposes of this subtitle, the transferor shall be treated as having received as an accumulation distribution taxable under subpart D an amount equal to the undistributed net income (as determined under section 665(a) as of the close of such immediately preceding taxable year) attributable to the portion of the trust referred to in subsection (a).

''(d) TRUSTS TREATED AS HAVING A UNITED STATES BENEFICIARY.—

''(1) IN GENERAL.—For purposes of this section, a trust shall be treated as having a United States beneficiary for the taxable year unless—

''(A) under the terms of the trust, no part of the income or corpus of the trust may be paid or accumulated during the taxable year to or for the benefit of a United States person, and

''(B) if the trust were terminated at any time during the taxable year, no part of the income or corpus of such trust could be paid to or for the benefit of a United States person.

To the extent provided by the Secretary, for purposes of this subsection, the term 'United States person' includes any person who was a United States person at any time during the existence of the trust.

''(2) ATTRIBUTION OF OWNERSHIP.—For purposes of paragraph (1), an amount shall be treated as paid or accumulated to or for the benefit of a United States person if such amount is paid to or accumulated for a foreign corporation, foreign partnership, or foreign trust or estate, and—

''(A) in the case of a foreign corporation, more than 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote is owned (within the meaning of section 958(a)) or is considered to be owned (within the meaning of section 958(b)) by United States shareholders (as defined in section 951(b)),

''(B) in the case of a foreign partnership, a United States person is a partner of such partnership, or

''(C) in the case of a foreign trust or estate, such trust or estate has a United States beneficiary (within the meaning of paragraph (1)).

''(e) DETERMINATION OF BENEFICIARIES' INTERESTS IN TRUST.—

''(1) GENERAL RULE.—For purposes of this section, a beneficiary's interest in a foreign trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar advisor.

''(2) SPECIAL RULE.—In the case of beneficiaries whose interests in a trust cannot be determined under paragraph (1)—

''(A) the beneficiary having the closest degree of kinship to the grantor shall be treated as holding the remaining interests in the trust not determined under paragraph (1) to be held by any other beneficiary, and

''(B) if 2 or more beneficiaries have the same degree of kinship to the grantor, such remaining interests shall be treated as held equally by such beneficiaries.

''(3) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a foreign trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

''(4) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

''(A) the methodology used to determine that taxpayer's trust interest under this section, and

''(B) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

''(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending on or after February 6, 1995.

(2) SECTION 679(a).—Paragraphs (2) and (3) of section 679(a) of the Internal Revenue Code of 1986 (as added by this section) shall apply to—

(A) any trust created on or after February 6, 1995, and

(B) the portion of any trust created before such date which is attributable to actual transfers of property to the trust on or after such date.

(3) SECTION 679(b).—

(A) IN GENERAL.—Paragraphs (1) and (2) of section 679(b) of such Code (as so added) shall apply to—

(i) any trust created on or after the date of the enactment of this Act, and

(ii) the portion of any trust created before such date which is attributable to actual transfers of property to the trust on or after such date.

(B) SECTION 679(b)(3).—Section 679(b)(3) of such Code (as so added) shall take effect on February 6, 1995, without regard to when the property was transferred to the trust.

**SEC. 504. FOREIGN PERSONS NOT TO BE TREATED AS OWNERS UNDER GRANTOR TRUST RULES.**

(a) IN GENERAL.—So much of section 672(f) of the Internal Revenue Code of 1986 (relating to special rule where grantor is foreign person) as precedes paragraph (2) is amended to read as follows:

''(f) SUBPART NOT TO RESULT IN FOREIGN OWNERSHIP.—

''(1) IN GENERAL.—Notwithstanding any other provision of this subpart, this subpart shall apply only to the extent such application results in an amount being included (directly or through 1 or more entities) in the gross income of a citizen or resident of the United States or a domestic corporation. The preceding sentence shall not apply to any portion of an investment trust if such trust is treated as a trust for purposes of this title and the grantor of such portion is the sole beneficiary of such portion.''

(b) CREDIT FOR CERTAIN TAXES.—Paragraph (2) of section 665(d) of such Code is amended by adding at the end the following new sentence: ''Under rules or regulations prescribed by the Secretary, in the case of any foreign trust of which the settlor or another person would be treated as owner of any portion of the trust under subpart E but for section 672(f), the term 'taxes imposed on the trust' includes the allocable amount of any income, war profits, and excess profits taxes imposed by any foreign country or possession of the United States on the settlor or such other person in respect of trust income.''

(c) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.—

(1) Section 643 of such Code is amended by adding at the end the following new subsection:

''(h) DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS THROUGH NOMINEES.—For purposes of this part, any amount paid to a United States person which is derived directly or indirectly from a foreign trust of which the payor is not the grantor shall be deemed in the year of payment to have been directly paid by the foreign trust to such United States person.''

(2) Section 665 of such Code is amended by striking subsection (c).

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(e) TRANSITIONAL RULE.—If—

(1) by reason of the amendments made by this section, any person other than a United States person ceases to be treated as the owner of a portion of a domestic trust, and

(2) before January 1, 1996, such trust becomes a foreign trust, or the assets of such trust are transferred to a foreign trust,

no tax shall be imposed by section 1491 of the Internal Revenue Code of 1986 by reason of such trust becoming a foreign trust or the assets of such trust being transferred to a foreign trust.

**SEC. 505. GRATUITOUS TRANSFERS BY PARTNERSHIPS AND FOREIGN CORPORATIONS.**

(a) IN GENERAL.—Subchapter C of chapter 80 of the Internal Revenue Code of 1986 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following new section:

**''SEC. 7874. PURPORTED GIFTS BY PARTNERSHIPS AND FOREIGN CORPORATIONS.**

''(a) IN GENERAL.—Any property (including money) that is purportedly a direct or indirect gift by a partnership or a foreign corporation to a person who is not a partner of the partnership or a shareholder of the corporation, respectively, may be recharacterized by the Secretary to prevent the avoidance of tax. The Secretary may not recharacterize gifts made for bona fide business or charitable purposes.

''(b) STATEMENTS ON RECIPIENT'S RETURN.—A taxpayer who receives a purported gift subject to subsection (a) shall attach a statement to his income tax return for the year of receipt that identifies the property received and describes fully the circumstances surrounding the purported gift.

''(c) EXEMPTION.—Subsection (a) shall not apply to purported gifts received by any person during any taxable year if the amount thereof is less than $2,500.

''(d) REGULATIONS.—The Secretary may prescribe such rules as may be necessary or appropriate to carry out the purposes of this section.''

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter C is amended by adding at the end the following new item:

''Sec. 7874. Purported gifts by partnerships and foreign corporations.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act.

**SEC. 506. INFORMATION REPORTING REGARDING LARGE FOREIGN GIFTS.**

(a) IN GENERAL.—Subpart A of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by inserting after section 6039E the following new section:

**''SEC. 6039F. NOTICE OF LARGE GIFTS RECEIVED FROM FOREIGN PERSONS.**

''(a) IN GENERAL.—If the value of the aggregate foreign gifts received by a United States person (other than an organization described in section 501(c) and exempt from tax under section 501(a)) during any taxable year exceeds $100,000, such United States person shall furnish (at such time and in such manner as the Secretary shall prescribe) such information as the Secretary may prescribe regarding each foreign gift received during such year.

''(b) FOREIGN GIFT.—For purposes of this section, the term 'foreign gift' means any amount received from a person other than a United States person which the recipient treats as a gift or bequest. Such term shall not include any qualified transfer (within the meaning of section 2503(e)(2)).

''(c) PENALTY FOR FAILURE TO FILE INFORMATION.—

''(1) IN GENERAL.—If a United States person fails to furnish the information required by subsection (a) with respect to any foreign gift within the time prescribed therefor (including extensions)—

''(A) the tax consequences of the receipt of such gift shall be determined by the Secretary in the Secretary's sole discretion from the Secretary's own knowledge or from such information as the Secretary may obtain through testimony or otherwise, and

''(B) such United States person shall pay (upon notice and demand by the Secretary and in the same manner as tax) an amount equal to 5 percent of the amount of such foreign gift for each month for which the failure continues (not to exceed 25 percent of such amount in the aggregate).

''(2) REASONABLE CAUSE EXCEPTION.— Paragraph (1) shall not apply to any failure to report a foreign gift if the United States person shows that the failure is due to reasonable cause and not due to willful neglect.

''(d) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) CLERICAL AMENDMENT.—The table of sections for such subpart is amended by inserting after the item relating to section 6039E the following new item:

''Sec. 6039F. Notice of large gifts received from foreign persons.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act in taxable years ending after such date.

**SEC. 507. MODIFICATION OF RULES RELATING TO FOREIGN TRUSTS WHICH ARE NOT GRANTOR TRUSTS.**

(a) MODIFICATION OF INTEREST CHARGE ON ACCUMULATION DISTRIBUTIONS.—Subsection (a) of section 668 of the Internal Revenue Code of 1986 (relating to interest charge on accumulation distributions from foreign trusts) is amended to read as follows:

''(a) GENERAL RULE.—For purposes of the tax determined under section 667(a)—

''(1) SUM OF INTEREST CHARGES FOR EACH THROWBACK YEAR.—The interest charge (determined under paragraph (2)) with respect to any distribution is the sum of the interest charges for each of the throwback years to which such distribution is allocated under section 666(a).

''(2) INTEREST CHARGE FOR YEAR.—Except as provided in paragraph (6), the interest charge for any throwback year on such year's allocable share of the partial tax computed under section 667(b) with respect to any distribution shall be determined for the period—

''(A) beginning on the due date for the throwback year, and

''(B) ending on the due date for the taxable year of the distribution,

by using the rates and method applicable under section 6621 for underpayments of tax for such period. For purposes of the preceding sentence, the term 'due date' means the date prescribed by law (determined without regard to extensions) for filing the return of the tax imposed by this chapter for the taxable year.

''(3) ALLOCABLE PARTIAL TAX.—For purposes of paragraph (2), a throwback year's allocable share of the partial tax is an amount equal to such partial tax multiplied by the fraction—

''(A) the numerator of which is the amount deemed by section 666(a) to be distributed on the last day of such throwback year, and

''(B) the denominator of which is the accumulation distribution taken into account under section 666(a).

''(4) THROWBACK YEAR.—For purposes of this subsection, the term 'throwback year' means any taxable year to which a distribution is allocated under section 666(a).

''(5) PERIODS OF NONRESIDENCE.—The period under paragraph (2) shall not include any portion thereof during which the beneficiary was not a citizen or resident of the United States.

''(6) THROWBACK YEARS BEFORE 1996.—In the case of any throwback year beginning before 1996—

''(A) interest for the portion of the period described in paragraph (2) which occurs before the first taxable year beginning after 1995 shall be determined by using an interest rate of 6 percent and no compounding, and

''(B) interest for the remaining portion of such period shall be determined as if the partial tax computed under section 667(b) for the throwback year were increased (as of the beginning of such first taxable year) by the amount of the interest determined under subparagraph (A).''

(b) RULE WHEN INFORMATION NOT AVAILABLE.—Subsection (d) of section 666 of such Code is amended by adding at the end the following: ''In the case of a distribution from a foreign trust to which section 6048(b) applies, adequate records shall not be considered to be available for purposes of the preceding sentence unless such trust meets the requirements referred to in such section. If a taxpayer is not able to demonstrate when a trust was created, the Secretary may use any reasonable approximation based on available evidence.''

(c) ABUSIVE TRANSACTIONS.—Section 643(a) of such Code is amended by inserting after paragraph (6) the following new paragraph:

''(7) ABUSIVE TRANSACTIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations to prevent avoidance of such purposes.''

(d) TREATMENT OF USE OF TRUST PROPERTY.—Section 643 of such Code (relating to definitions applicable to subparts A, B, C, and D) is amended by adding at the end the following new subsection:

''(i) USE OF FOREIGN TRUST PROPERTY.—

''(1) GENERAL RULE.—For purposes of subparts B, C, and D, if, during a taxable year of a foreign trust a trust participant of such trust directly or indirectly uses any of the trust's property, the use value for such taxable year shall be treated as an amount paid to such participant (other than from income for the taxable year) within the meaning of sections 661(a)(2) and section 662(a)(2).

''(2) EXEMPTION.—Paragraph (1) shall not apply to any trust participant as to whom the aggregate use value during the taxable year does not exceed $2,500.

''(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

''(A) USE VALUE.—Except as provided in subparagraph (B), the term 'use value' means the fair market value of the use of property reduced by any amount paid for such use by the trust participant or by any person who is related to such participant.

''(B) SPECIAL RULE FOR CASH AND CASH EQUIVALENT.—A direct or indirect loan of cash, or cash equivalent, by a foreign trust shall be treated as a use of trust property by the borrower and the full amount of the loan principal shall be the use value.

''(C) USE BY RELATED PARTY.—

''(i) Use by a person who is related to a trust participant shall be treated as use by the participant.

''(ii) If property is used by any person who is a related person with respect to more than one trust participant, then the property shall be treated as used by the trust participant most closely related, by blood or otherwise, to such person.

''(D) PROPERTY INCLUDES CASH AND CASH EQUIVALENTS.—The term 'property' includes cash and cash equivalents.

''(E) TRUST PARTICIPANT.—The term 'trust participant' means each grantor and beneficiary of the trust.

''(F) RELATED PERSON.—A person is related to a trust participant if the relationship between such persons would result in a disallowance of losses under section 267(b) or 707(b). In applying section 267 for purposes of the preceding sentence—

''(i) section 267(e) shall be applied as if such person or the trust participant were a passthru entity,

''(ii) section 267(b) shall be applied by substituting 'at least 10 percent' for 'more than 50 percent' each place it appears, and

''(iii) in determining the family of an individual under section 267(c)(4), such section shall be treated as including the spouse (and former spouse) of such individual and of each other person who is treated under such section as being a member of the family of such individual or spouse.

''(G) SUBSEQUENT TRANSACTIONS REGARDING LOAN PRINCIPAL.—If any loan described in subparagraph (B) is taken into account under paragraph (1), any subsequent transaction between the trust and the original borrower regarding the principal of the loan (by way of complete or partial repayment, satisfaction, cancellation, discharge, or otherwise) shall be disregarded for purposes of this title.''

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) INTEREST CHARGE.—The amendment made by subsection (a) shall apply to interest for throwback years beginning before, on, or after the date of the enactment of this Act.

**SEC. 508. RESIDENCE OF ESTATES AND TRUSTS.**

(a) TREATMENT AS UNITED STATES PERSON.—Paragraph (30) of section 7701(a) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D) and by inserting after subparagraph (C) the following:

''(D) any estate or trust if—

''(i) a court within the United States is able to exercise primary supervision over the administration of the estate or trust, and

''(ii) in the case of a trust, one or more United States fiduciaries have the authority to control all substantial decisions of the trust.''

(b) CONFORMING AMENDMENT.—Paragraph (31) of section 7701(a) of such Code is amended to read as follows:

''(31) FOREIGN ESTATE OR TRUST.—The term 'foreign estate' or 'foreign trust' means any estate or trust other than an estate or trust described in section 7701(a)(30)(D).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply—

(1) to taxable years beginning after December 31, 1996, and

(2) at the election of the trustee of a trust, to taxable years beginning after the date of the enactment of this Act and on or before December 31, 1996.

Such an election, once made, shall be irrevocable.

## TITLE VI—EXTENSION OF AUTHORITY OF FEDERAL COMMUNICATIONS COMMISSION TO USE COMPETITIVE BIDDING

**SEC. 601. EXTENSION OF AUTHORITY.**

Section 309(j)(11) of the Communications Act of 1934 (47 U.S.C. 309(j)(11)) is amended by striking ''September 30, 1998'' and inserting ''September 30, 2000''.

## TITLE VII—PRIVATIZATION OF THE UNITED STATES ENRICHMENT CORPORATION

**SEC. 701. SHORT TITLE AND REFERENCE.**

(a) SHORT TITLE.—This title may be cited as the ''USEC Privatization Act''.

(b) REFERENCE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.).

**SEC. 702. PRODUCTION FACILITY.**

Paragraph v. of section 11 (42 U.S.C. 2014 v.) is amended by striking ''or the construction and operation of a uranium enrichment production facility using Atomic Vapor Laser Isotope Separation technology''.

**SEC. 703. DEFINITIONS.**

Section 1201 (42 U.S.C. 2297) is amended—

(1) in paragraph (4), by inserting before the period the following: ''and any successor corporation established through privatization of the Corporation'';

(2) by redesignating paragraphs (10) through (13) as paragraphs (14) through (17), respectively, and by inserting after paragraph (9) the following new paragraphs:

''(10) The term 'low-level radioactive waste' has the meaning given such term in section 102(9) of the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. 2021b(9)).

''(11) The term 'mixed waste' has the meaning given such term in section 1004(41) of the Solid Waste Disposal Act (42 U.S.C. 6903(41)).

''(12) The term 'privatization' means the transfer of ownership of the Corporation to private investors pursuant to chapter 25.

''(13) The term 'privatization date' means the date on which 100 percent of ownership of the Corporation has been transferred to private investors.'';

(3) by inserting after paragraph (17) (as redesignated) the following new paragraph:

''(18) The term 'transition date' means July 1, 1993.''; and

(4) by redesignating the unredesignated paragraph (14) as paragraph (19).

**SEC. 704. EMPLOYEES OF THE CORPORATION.**

(a) PARAGRAPH (2).—Paragraphs (1) and (2) of section 1305(e) (42 U.S.C. 2297b–4(e)(1)(2)) are amended to read as follows:

''(1) IN GENERAL.—It is the purpose of this subsection to ensure that the privatization of the Corporation shall not result in any adverse effects on the pension benefits of employees at facilities that are operated, directly or under contract, in the performance of the functions vested in the Corporation.

''(2) APPLICABILITY OF EXISTING COLLECTIVE BARGAINING AGREEMENT.—The Corporation shall abide by the terms of the collective bargaining agreement in effect on the privatization date at each individual facility.''.

(b) PARAGRAPH (4).—Paragraph (4) of section 1305(e) (42 U.S.C. 2297b–4(e)(4)) is amended—

(1) by striking ''AND DETAILEES'' in the heading;

(2) by striking the first sentence;

(3) in the second sentence, by inserting ''from other Federal employment'' after ''transfer to the Corporation''; and

(4) by striking the last sentence.

**SEC. 705. MARKETING AND CONTRACTING AUTHORITY.**

(a) MARKETING AUTHORITY.—Section 1401(a) (42 U.S.C. 2297c(a)) is amended effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954)—

(1) by amending the subsection heading to read ''MARKETING AUTHORITY.—''; and

(2) by striking the first sentence.

(b) TRANSFER OF CONTRACTS.—Section 1401(b) (42 U.S.C. 2297c(b)) is amended—

(1) in paragraph (2)(B), by adding at the end the following: ''The privatization of the Corporation shall not affect the terms of, or the rights or obligations of the parties to, any such power purchase contract.''; and

(2) by adding at the end the following:

''(3) EFFECT OF TRANSFER.—

''(A) As a result of the transfer pursuant to paragraph (1), all rights, privileges, and benefits under such contracts, agreements, and leases, including the right to amend, modify, extend, revise, or terminate any of such contracts, agreements, or leases were irrevocably assigned to the Corporation for its exclusive benefit.

''(B) Notwithstanding the transfer pursuant to paragraph (1), the United States shall remain obligated to the parties to the contracts, agreements, and leases transferred pursuant to paragraph (1) for the performance of the obligations of the United States thereunder during the term thereof. The Corporation shall reimburse the United States for any amount paid by the United States in respect of such obligations arising after the privatization date to the extent such amount is a legal and valid obligation of the Corporation then due.

''(C) After the privatization date, upon any material amendment, modification, extension, revision, replacement, or termination of any contract, agreement, or lease transferred under paragraph (1), the United States shall be released from further obligation under such contract, agreement, or lease, except that such action shall not release the United States from obligations arising under

such contract, agreement, or lease prior to such time.''.

(c) PRICING.—Section 1402 (42 U.S.C. 2297c–1) is amended to read as follows:

**''SEC. 1402. PRICING.**

''The Corporation shall establish prices for its products, materials, and services provided to customers on a basis that will allow it to attain the normal business objectives of a profitmaking corporation.''.

(d) LEASING OF GASEOUS DIFFUSION FACILITIES OF DEPARTMENT.—Effective on the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), section 1403 (42 U.S.C. 2297c–2) is amended by adding at the end the following:

''(h) LOW-LEVEL RADIOACTIVE WASTE AND MIXED WASTE.—

''(1) RESPONSIBILITY OF THE DEPARTMENT; COSTS.—

''(A) With respect to low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) or as a result of treatment of such wastes at a location other than the facilities and related property leased by the Corporation pursuant to subsection (a) the Department, at the request of the Corporation, shall—

''(i) accept for treatment or disposal of all such wastes for which treatment or disposal technologies and capacities exist, whether within the Department or elsewhere; and

''(ii) accept for storage (or ultimately treatment or disposal) all such wastes for which treatment and disposal technologies or capacities do not exist, pending development of such technologies or availability of such capacities for such wastes.

''(B) All low-level wastes and mixed wastes that the Department accepts for treatment, storage, or disposal pursuant to subparagraph (A) shall, for the purpose of any permits, licenses, authorizations, agreements, or orders involving the Department and other Federal agencies or State or local governments, be deemed to be generated by the Department and the Department shall handle such wastes in accordance with any such permits, licenses, authorizations, agreements, or orders. The Department shall obtain any additional permits, licenses, or authorizations necessary to handle such wastes, shall amend any such agreements or orders as necessary to handle such wastes, and shall handle such wastes in accordance therewith.

''(C) The Corporation shall reimburse the Department for the treatment, storage, or disposal of low-level radioactive waste or mixed waste pursuant to subparagraph (A) in an amount equal to the Department's costs but in no event greater than an amount equal to that which would be charged by commercial, State, regional, or interstate compact entities for treatment, storage, or disposal of such waste.

''(2) AGREEMENTS WITH OTHER PERSONS.—The Corporation may also enter into agreements for the treatment, storage, or disposal of low-level radioactive waste and mixed waste generated by the Corporation as a result of the operation of the facilities and related property leased by the Corporation pursuant to subsection (a) with any person other than the Department that is authorized by applicable laws and regulations to treat, store, or dispose of such wastes.''.

(e) LIABILITIES.—

(1) Subsection (a) of section 1406 (42 U.S.C. 2297c–5(a)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by adding at the end the following: ''As of the privatization date, all liabilities attributable to the operation of the Corporation from the transition date to the privatization date shall be direct liabilities of the United States.''.

(2) Subsection (b) of section 1406 (42 U.S.C. 2297c–5(b)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by adding at the end the following: ''As of the privatization date, any judgment entered against the Corporation imposing liability arising out of the operation of the Corporation from the transition date to the privatization date shall be considered a judgment against the United States.''.

(3) Subsection (d) of section 1406 (42 U.S.C. 2297c–5(d)) is amended—

(A) by inserting ''AND PRIVATIZATION'' after ''TRANSITION'' in the heading; and

(B) by striking ''the transition date'' and inserting ''the privatization date (or, in the event the privatization date does not occur, the transition date)''.

(f) TRANSFER OF URANIUM.—Title II (42 U.S.C. 2297 et seq.) is amended by redesignating section 1408 as section 1409 and by inserting after section 1407 the following:

**''SEC. 1408. TRANSFER OF URANIUM.**

''The Secretary may, before the privatization date, transfer to the Corporation without charge raw uranium, low-enriched uranium, and highly enriched uranium.''.

**SEC. 706. PRIVATIZATION OF THE CORPORATION.**

(a) ESTABLISHMENT OF PRIVATE CORPORATION.—Chapter 25 (42 U.S.C. 2297d et seq.) is amended by adding at the end the following new section:

**''SEC. 1503. ESTABLISHMENT OF PRIVATE CORPORATION.**

''(a) ESTABLISHMENT.—

''(1) IN GENERAL.—In order to facilitate privatization, the Corporation may provide for the establishment of a private corporation organized under the laws of any of the several States. Such corporation shall have among its purposes the following:

''(A) To help maintain a reliable and economical domestic source of uranium enrichment services.

''(B) To undertake any and all activities as provided in its corporate charter.

''(2) AUTHORITIES.—The corporation established pursuant to paragraph (1) shall be authorized to—

''(A) enrich uranium, provide for uranium to be enriched by others, or acquire enriched uranium (including low-enriched uranium derived from highly enriched uranium);

''(B) conduct, or provide for conducting, those research and development activities related to uranium enrichment and related processes and activities the corporation considers necessary or advisable to maintain itself as a commercial enterprise operating on a profitable and efficient basis;

''(C) enter into transactions regarding uranium, enriched uranium, or depleted uranium with—

''(i) persons licensed under section 53, 63, 103, or 104 in accordance with the licenses held by those persons;

''(ii) persons in accordance with, and within the period of, an agreement for cooperation arranged under section 123; or

''(iii) persons otherwise authorized by law to enter into such transactions;

''(D) enter into contracts with persons licensed under section 53, 63, 103, or 104, for as long as the corporation considers necessary or desirable, to provide uranium or uranium enrichment and related services;

''(E) enter into contracts to provide uranium or uranium enrichment and related services in accordance with, and within the period of, an agreement for cooperation arranged under section 123 or as otherwise authorized by law; and

''(F) take any and all such other actions as are permitted by the law of the jurisdiction of incorporation of the corporation.

''(3) TRANSFER OF ASSETS.—For purposes of implementing the privatization, the Corporation may transfer some or all of its assets and obligations to the corporation established pursuant to this section, including—

''(A) all of the Corporation's assets, including all contracts, agreements, and leases, including all uranium enrichment contracts and power purchase contracts;

''(B) all funds in accounts of the Corporation held by the Treasury or on deposit with any bank or other financial institution;

''(C) all of the Corporation's rights, duties, and obligations, accruing subsequent to the privatization date, under the power purchase contracts covered by section 1401(b)(2)(B); and

''(D) all of the Corporation's rights, duties, and obligations, accruing subsequent to the privatization date, under the lease agreement between the Department and the Corporation executed by the Department and the Corporation pursuant to section 1403.

''(4) MERGER OR CONSOLIDATION.—For purposes of implementing the privatization, the Corporation may merge or consolidate with the corporation established pursuant to subsection (a)(1) if such action is contemplated by the plan for privatization approved by the President under section 1502(b). The Board shall have exclusive authority to approve such merger or consolidation and to take all further actions necessary to consummate such merger or consolidation, and no action by or in respect of shareholders shall be required. The merger or consolidation shall be effected in accordance with, and have the effects of a merger or consolidation under, the laws of the jurisdiction of incorporation of the surviving corporation, and all rights and benefits provided under this title to the Corporation shall apply to the surviving corporation as if it were the Corporation.

''(5) TAX TREATMENT OF PRIVATIZATION.—

''(A) TRANSFER OF ASSETS OR MERGER.—No income, gain, or loss shall be recognized by any person by reason of the transfer of the Corporation's assets to, or the Corporation's merger with, the corporation established pursuant to subsection (a)(1) in connection with the privatization.

''(B) CANCELLATION OF DEBT AND COMMON STOCK.—No income, gain, or loss shall be recognized by any person by reason of any cancellation of any obligation or common stock of the Corporation in connection with the privatization.

''(b) OSHA REQUIREMENTS.—For purposes of the regulation of radiological and nonradiological hazards under the Occupational Safety and Health Act of 1970, the corporation established pursuant to subsection (a)(1) shall be treated in the same manner as other employers licensed by the Nuclear Regulatory Commission. Any interagency agreement entered into between the Nuclear Regulatory Commission and the Occupational Safety and Health Administration governing the scope of their respective regulatory authorities shall apply to the corporation as if the corporation were a Nuclear Regulatory Commission licensee.

''(c) LEGAL STATUS OF PRIVATE CORPORATION.—

''(1) NOT FEDERAL AGENCY.—The corporation established pursuant to subsection (a)(1) shall not be an agency, instrumentality, or establishment of the United States Government and shall not be a Government corporation or Government-controlled corporation.

''(2) NO RECOURSE AGAINST UNITED STATES.—Obligations of the corporation established

pursuant to subsection (a)(1) shall not be obligations of, or guaranteed as to principal or interest by, the Corporation or the United States, and the obligations shall so plainly state.

''(3) NO CLAIMS COURT JURISDICTION.—No action under section 1491 of title 28, United States Code, shall be allowable against the United States based on the actions of the corporation established pursuant to subsection (a)(1).

''(d) BOARD OF DIRECTOR'S ELECTION AFTER PUBLIC OFFERING.—In the event that the privatization is implemented by means of a public offering, an election of the members of the board of directors of the Corporation by the shareholders shall be conducted before the end of the 1-year period beginning the date shares are first offered to the public pursuant to such public offering.

''(e) ADEQUATE PROCEEDS.—The Secretary of Energy shall not allow the privatization of the Corporation unless before the sale date the Secretary determines that the estimated sum of the gross proceeds from the sale of the Corporation will be an adequate amount.''.

(b) OWNERSHIP LIMITATIONS.—Chapter 25 (as amended by subsection (a)) is amended by adding at the end the following new section:

**''SEC. 1504. OWNERSHIP LIMITATIONS.**

''(a) SECURITIES LIMITATION.—In the event that the privatization is implemented by means of a public offering, during a period of 3 years beginning on the privatization date, no person, directly or indirectly, may acquire or hold securities representing more than 10 percent of the total votes of all outstanding voting securities of the Corporation.

''(b) APPLICATION.—Subsection (a) shall not apply—

''(1) to any employee stock ownership plan of the Corporation,

''(2) to underwriting syndicates holding shares for resale, or

''(3) in the case of shares beneficially held for others, to commercial banks, broker-dealers, clearing corporations, or other nominees.

''(c) No director, officer, or employee of the Corporation may acquire any securities, or any right to acquire securities, of the Corporation—

''(1) in the public offering of securities of the Corporation in the implementation of the privatization,

''(2) pursuant to any agreement, arrangement, or understanding entered into before the privatization date, or

''(3) before the election of directors of the Corporation under section 1503(d) on any terms more favorable than those offered to the general public.''.

(c) EXEMPTION FROM LIABILITY.—Chapter 25 (as amended by subsection (b)) is amended by adding at the end the following new section:

**''SEC. 1505. EXEMPTION FROM LIABILITY.**

''(a) IN GENERAL.—No director, officer, employee, or agent of the Corporation shall be liable, for money damages or otherwise, to any party if, with respect to the subject matter of the action, suit, or proceeding, such person was fulfilling a duty, in connection with any action taken in connection with the privatization, which such person in good faith reasonably believed to be required by law or vested in such person.

''(b) EXCEPTION.—The privatization shall be subject to the Securities Act of 1933 and the Securities Exchange Act of 1934. The exemption set forth in subsection (a) shall not apply to claims arising under such Acts or under the Constitution or laws of any State, territory, or possession of the United States relating to transactions in securities, which claims are in connection with a public offering implementing the privatization.''.

(d) RESOLUTION OF CERTAIN ISSUES.—Chapter 25 (as amended by subsection (c)) is amended by adding at the end the following new section:

**''SEC. 1506. RESOLUTION OF CERTAIN ISSUES.**

''(a) CORPORATION ACTIONS.—Notwithstanding any provision of any agreement to which the Corporation is a party, the Corporation shall not be considered to be in breach, default, or violation of any such agreement because of any provision of this chapter or any action the Corporation is required to take under this chapter.

''(b) RIGHT TO SUE WITHDRAWN.—The United States hereby withdraws any stated or implied consent for the United States, or any agent or officer of the United States, to be sued by any person for any legal, equitable, or other relief with respect to any claim arising out of, or resulting from, acts or omissions under this chapter.''.

(e) APPLICATION OF PRIVATIZATION PROCEEDS.—Chapter 25 (as amended by subsection (d)) is amended by adding at the end the following new section:

**''SEC. 1507. APPLICATION OF PRIVATIZATION PROCEEDS.**

''The proceeds from the privatization shall be included in the budget baseline required by the Balanced Budget and Emergency Deficit Control Act of 1985 and shall be counted as an offset to direct spending for purposes of section 252 of such Act, notwithstanding section 257(e) of such Act.''.

(f) CONFORMING AMENDMENT.—The table of contents for chapter 25 is amended by inserting after the item for section 1502 the following:

''Sec. 1503. Establishment of Private Corporation.
''Sec. 1504. Ownership Limitations.
''Sec. 1505. Exemption from Liability.
''Sec. 1506. Resolution of Certain Issues.
''Sec. 1507. Application of Privatization Proceeds.''.

(g) Section 193 (42 U.S.C. 2243) is amended by adding at the end the following:

''(f) LIMITATION.—If the privatization of the United States Enrichment Corporation results in the Corporation being—

''(1) owned, controlled, or dominated by a foreign corporation or a foreign government, or

''(2) otherwise inimical to the common defense or security of the United States,

any license held by the Corporation under sections 53 and 63 shall be terminated.''.

(h) PERIOD FOR CONGRESSIONAL REVIEW.—Section 1502(d) (42 U.S.C. 2297d–1(d)) is amended by striking ''less than 60 days after notification of the Congress'' and inserting ''less than 60 days after the date of the report to Congress by the Comptroller General under subsection (c)''.

**SEC. 707. PERIODIC CERTIFICATION OF COMPLIANCE.**

Section 1701(c)(2) (42 U.S.C. 2297f(c)(2)) is amended by striking ''ANNUAL APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply at least annually to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1).'' and inserting ''PERIODIC APPLICATION FOR CERTIFICATE OF COMPLIANCE.—The Corporation shall apply to the Nuclear Regulatory Commission for a certificate of compliance under paragraph (1) periodically, as determined by the Nuclear Regulatory Commission, but not less than every 5 years.''.

**SEC. 708. LICENSING OF OTHER TECHNOLOGIES.**

Subsection (a) of section 1702 (42 U.S.C. 2297f–1(a)) is amended by striking ''other than'' and inserting ''including''.

**SEC. 709. CONFORMING AMENDMENTS.**

(a) REPEALS IN ATOMIC ENERGY ACT OF 1954 AS OF THE PRIVATIZATION DATE.—

(1) REPEALS.—As of the privatization date (as defined in section 1201(13) of the Atomic Energy Act of 1954), the following sections (as in effect on such privatization date) of the Atomic Energy Act of 1954 are repealed:

(A) Section 1202.

(B) Sections 1301 through 1304.

(C) Sections 1306 through 1316.

(D) Sections 1404 and 1405.

(E) Section 1601.

(F) Sections 1603 through 1607.

(2) CONFORMING AMENDMENT.—The table of contents of such Act is amended by repealing the items referring to sections repealed by paragraph (1).

(b) STATUTORY MODIFICATIONS.—As of such privatization date, the following shall take effect:

(1) For purposes of title I of the Atomic Energy Act of 1954, all references in such Act to the ''United States Enrichment Corporation'' shall be deemed to be references to the corporation established pursuant to section 1503 of the Atomic Energy Act of 1954 (as added by section 6(a)).

(2) Section 1018(1) of the Energy Policy Act of 1992 (42 U.S.C. 2296b–7(1)) is amended by striking ''the United States'' and all that follows through the period and inserting ''the corporation referred to in section 1201(4) of the Atomic Energy Act of 1954.''.

(3) Section 9101(3) of title 31, United States Code, is amended by striking subparagraph (N), as added by section 902(b) of Public Law 102–486.

(c) REVISION OF SECTION 1305.—As of such privatization date, section 1305 of the Atomic Energy Act of 1954 (42 U.S.C 2297b–4) is amended—

(1) by repealing subsections (a), (b), (c), and (d), and

(2) in subsection (e)—

(A) by striking the subsection designation and heading,

(B) by redesignating paragraphs (1) and (2) (as added by section 4(a)) as subsections (a) and (b) and by moving the margins 2-ems to the left,

(C) by striking paragraph (3), and

(D) by redesignating paragraph (4) (as amended by section 4(b)) as subsection (c), and by moving the margins 2-ems to the left.

The CHAIRMAN. Pursuant to the rule, the gentleman from Missouri [Mr. GEPHARDT] will be recognized for 30 minutes, and a Member opposed will be recognized for 30 minutes.

The Chair recognizes the gentleman from Missouri [Mr. GEPHARDT].

Mr. GEPHARDT. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I come before you today not to engage in partisan finger pointing, but to appeal to basic common sense and to common decency.

This Republican tax bill is wrong. It awards billions of dollars to the wealthiest Americans, and it pays for it by cutting school lunches, child nutrition, and heat for low income elderly, hurting the very people that we should be helping.

For 16 years all but the top fifth of Americans have seen their wages fall and their standard of living decay. We have the ability tonight to do something about that, to offer a modest amount of tax relief to families that are struggling to simply stay in place. And we have more than the ability. We have the obligation to do something about it.

Each of us was elected to serve the greater good, not to come here and line the pockets of the most powerful Americans. But that is exactly what the Republican bill does. More than half of its benefits go to families earning $100,000 or more.

Think about the struggling young couple, trying to get by on $20,000 or $25,000 a year. Under the Republican plan they get a $5 a week tax cut. But they lose school lunch subsidies, low income heat assistance, food stamps, and summer jobs for their children. On balance, this Republican bill hurts them and it means that they may never have a chance at a better future. But for the most privileged and powerful, people earning $200,000 a year and above, the Republican plan gives them a massive $11,000 tax break.

Mr. Chairman, you and I both know that America does not want that, and I dare say that most Members of Congress do not want that. More than 100 Members of the Republican Party even tried to buck their own leadership to make this tax plan fairer to the middle class, but they lost that fight. And the Republican leadership is forcing them to vote for it anyway.

I believe that we should be voting our conscience, our principles, not our party registration. I believe the day that we put blind party loyalty ahead of what is right for the American people is a sad day for the U.S. Congress.

We can do better. We can pass the Democratic tax plan, which gives every penny, every penny of this plan, to families who earn less than $100,000 a year. It gives big tax breaks for education, so struggling families can lift themselves up and build our country and our economy. It lets middle income families deduct up to $10,000 a year in educational expenses. It lets students deduct interest payments on their student loans, because an investment in education is an investment in America's future, and we should reward it.

It establishes a new guaranteed education plan bond, so that families can put aside as little as $25 a month to save as much as $16,000 dollars for their children's education when they need it. And, above all, it is built on the profoundly moral principle that in a just, decent society, we do not take away from those who need our help to give it to those who need nothing at all.

It is not too late for us to come together tonight on this tax plan, to stand for fairness, to stand for the middle class, Republicans and Democrats alike. It is not too late to say to America we stand for that young struggling family and the privileged can take care of themselves.

The Republican bill is wrong, but we can make it right. And would that not be a proud moment for the American people, the moment we said we can change our minds and work together for the good of the country; the day we put our people ahead of our party.

Support this substitute; reject the Republican tax bill; and just this one time, let us vote as one party for tax fairness and justice for all.

Mr. ARCHER. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from Texas [Mr. ARCHER] IS recognized for 30 minutes.

Mr. ARCHER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I will try not to speak in chivalrous adjectives or rhetoric, but I would like to speak in fact about this proposal. After all, it is the third version of the Gephardt tax proposal that we have seen in recent times. In December, the minority leader offered a $66 billion tax relief plan. Last week, it had been cut in half. Today, the House is debating his substitute, which contains little tax relief, and with it tax increases of nearly $3 billion.

Yet with all of that, under CBO scoring, the substitute does not reduce the deficit at all, compared to a reduction in the deficit under H.R. 1215 of $30 billion.

It also seems strange to me that the gentleman is the leader of the Democrat Party in the House of Representatives, and yet has not chosen to offer the President's own tax proposal. His substitute offers benefits that affect far fewer families than in H.R. 1215. Moreover, the substitute is conspicuously silent on capital gains tax reduction, relief for small business, and incentives for job creation.

It does not contain a family tax credit. In fact, the only tax break in the substitute will benefit less than 4 percent of families with dependent children, compared to our family tax credit which benefits 75 percent of families with children. The substitute in actuality gives zero help to families with children in elementary and secondary schools.

The Gephardt substitute does embrace several provisions already contained in H.R. 1215, namely, the spousal IRA and nondeductible IRA provisions. We believe in both of those. Unfortunately, the savings provisions in the Gephardt substitute are less effective and more complicated than in the base bill, and, unlike H.R. 1215, the Gephardt substitute allows a $2,000 contribution to deductible or nondeductible IRA's but not both as the base bill does.

For those who like to gamble, the substitute offers a cheap crap shoot: Namely, all bets are off for a tax reduction if the OMB Director estimates Congress has not precisely met the deficit reduction targets set in the law. If the Congress fails to meet them by only a small amount, the taxes go away.

Imagine a family trying to pick an affordable college under this on-again, off-again tax policy. Worse yet, imagine a student halfway through the school year finding out the tax break is now gone. Many Americans simply will not take the risk and the supposed benefits of the proposal will vanish.

Under these conditions, why would savers establish an IRA knowing they might suddenly find themselves with taxable income? OMB will be under tremendous pressure to fudge on the deficit numbers in order to prevent the ensuing chaos caused by this proposal. So in the end we will see the worst of all worlds, a combination of phony deficit estimates, no benefit for taxpayers, and more business for tax consultants.

This substitute does not deserve further debate. The Contract With America is the real thing, accept no substitutes. I urge my colleagues to reject this third and inferior rendition by the minority leader.

Mr. Chairman, I reserve the balance of my time.

Mr. GEPHARDT. Mr. Chairman, I ask unanimous consent that the gentleman from Michigan [Mr. BONIOR] be permitted to manage the remainder of my time on this substitute.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. BONIOR. Mr. Chairman, I yield 2½ minutes to the distinguished chairman of the Democratic Caucus, the gentleman from California [Mr. FAZIO].

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Mr. FAZIO of California. Mr. Chairman, I rise in support of the Gephardt substitute, because the Republican proposal hurts us as a country in too many ways. It creates more problems down the road by adding to the deficit, and it divides the middle class from the wealthy by sacrificing long-term investment in education and training for a short-term gain for far too many who do not need it.

Instead of helping the middle class, Republicans are helping big corporations. Instead of helping families send their kids to college, they are giving people earning $200,000 a year a $500 per child tax credit.

This package includes a new form of the Individual Retirement Account and raises the portion of an inheritance tax that is exempt up to $750,000. Ninety-five percent of the benefits of this new IRA would go to the wealthiest 20 percent of Americans.

The family earning $35,000 a year will not have the savings to invest in an Individual Retirement Account. They do not have a $750,000 estate to pass along to their children. They do not have stocks to sell. They do not need a $500 tax credit. They need a college student loan to build their future.

We are helping these big corporations and wealthy individuals at what cost? This country will suffer revenue losses of $180 billion over 5 years, mushrooming to $630 billion over 10 years, a real balloon payment for all American taxpayers.

What I do not support in this kind of legislation is the sort of thing that we cannot afford when in fact we are having to cut school lunches, student

loans and job training to make available tax cuts for the very wealthy.

This package is much more costly than mere dollar figures. It comes at the price of this country's future. It takes away the very tools that will help to turn our children into productive adults. The Gephardt substitute will provide that future.

Let's invest in the long-term goals with lasting benefits. Let's educate our children while making sure they receive proper nutrition in school. Let's train our workers for a changing world marketplace that requires high-tech skills. Let's reduce the deficit which will accomplish much more to put money in the pockets of the middle class through lower interest rates for every American family.

Under this bill, households earning $200,000 a year would receive an average tax cut of $11,000, while those earning under $30,000 would receive just $124. That is compounding the class warfare that has been waged on the middle class for far too long. Let's support the Gephardt alternative and defeat this bill.

Mr. ARCHER. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. DELAY], the majority whip.

Mr. DELAY. Mr. Chairman, I want to congratulate the chairman of the Committee on Ways and Means for an excellent job in bringing real tax relief to the American citizens of this country, to allow American families to keep more of what they earn.

Right now, Mr. Chairman, 53 percent of the American families' income goes to government. If you add up the taxes of the local, State and Federal Government, you add to that the cost of litigation and regulation, 53 percent, 53 cents out of every dollar that the American family earns today, goes to the governments.

And what the minority leader and the Democrats want to do is to protect their ability to confiscate the income of the American family to pay for their failed welfare state.

I want to talk about their substitute. First off, they have no intention of offering a budget that gets us to balance by the year 2002. Yet they offer a so-called tax cut that depends on a balanced budget. This substitute provides income tax deductions for interest payments on student loans and education expenses up to $5,000 and $10,000 thereafter.

So if you are an American family that does not have a child in college or a child going to vocational school, you get no relief. You still pay for the failed welfare state. Deductions will be phased out. Class warfare. Between $50,000 and $60,000 for individuals and between $75,000 and $85,000 for couples. Marriage penalty.

In our bill, we try to lessen the marriage penalty, because in the present Tax Code, you are penalized for creating and starting a family.

The Democrat substitute allows penalty-free IRA withdrawal for education and creates new education savings bonds.

Education is a very laudable goal, and that is what we ought to be striving for. But the problem is that the Democrats are putting up this sham that they are giving tax relief as long as you have children in college or are participating in education. The phaseout of this deduction will increases the marginal income tax rate by 50 percent, from 28 percent to 42 percent for those in the income phaseout range. More class warfare.

Deductions for education are contingent on OMB certifying that the Federal budget will be balanced by the year 2002, yet they are not even going to offer us a budget that does balance. Since the Democrat leadership has not announced any plans to offer a balanced budget, we can only assume that their tax cuts will never take effect.

Even if the tax cuts do take effect, they would be repealed in any subsequent year in which annual deficit targets are not met. In other words, the Democrats, who claim to care so much about students, would hold these very same students hostages every year to Congress's ability to meet deficit targets that they will not even offer.

If Congress misses those targets, who gets punished? Not Congress. Not the big spenders. Not the people that want to continue making Americans dependent on government. No, it will be the very students that they claim they want to help.

Finally, the Gephardt substitute contains the expatriation tax. I ask the minority leader, did the minority leader vote for Jackson-Vanik? Did he vote and condemn Russia for charging such a huge exit tax that Russian Jews could not get out of Russia?

Where is freedom in this country? We just throw freedom aside, as if it means nothing. When an American citizen wants to leave this country, they want to charge a tax. That is what this is all about. They want to charge a tax. They care nothing for freedom. What we care about is the American family, the American family holding onto their own income. What they want to do is charge Americans for leaving America. Yet they want Russians to stay there.

Mr. BONIOR. Mr. Chairman, I yield 1 minute to the gentleman from Florida [Mr. GIBBONS], the distinguished ranking member of the committee, to talk a little bit about this issue.

Mr. GIBBONS. Mr. Chairman, I get a little resentful when I hear Members of Congress comparing the United States, my United States, your United States——

Mr. DELAY. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I have only got a minute. You get time from the gentleman from Texas [Mr. ARCHER].

Mr. DELAY. Did the gentleman vote for Jackson-Vanik?

Mr. GIBBONS. Will you shut up and listen while I talk?

The CHAIRMAN. The gentleman from Florida has the time.

Mr. GIBBONS. Please respect that. I respect your time.

But you insult me, you insult this Congress, you insult the American Government when you compare this Government to the Government of Russia You ought to be ashamed of yourself.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. DELAY].

Mr. DELAY. I appreciate the gentleman's yielding time.

Mr. Chairman, I ask the distinguished ranking member, did he vote for Jackson-Vanik or not?

The gentleman has left the floor. He does not want to answer the question. Because I am sure the gentleman as well as many Members of this Congress were outraged at the notion that the Soviet Union charged their people huge taxes to leave the government that they so despised.

The problem with people leaving this Government is that the welfare state and the taxes charged and the regulations charged in this country have forced people to leave.

Mr. BONIOR. Mr. Chairman, I yield myself 1 minute.

I address my comments to my friend, and he is my friend from Texas. I do so because I really want to set the record straight for those who are listening.

What this issue that we are talking about is all about, there was a provision that was brought to this House of Representatives very recently, last Thursday, concerning very wealthy individuals in America who are renouncing their U.S. citizenship in order to avoid paying taxes. As incredible as that may seem, these are the people who used the security of this country to gain their wealth, who used the workers, the men and women of this country, to gain their wealth.

When it came time for them to pay their fair share, they said, ''No, I am going to renounce my U.S. citizenship so I can avoid paying taxes.''

You know what that cost the American taxpayers over 10 years, estimated? $3.6 billion a year. And for my friend from Texas to compare that to Jackson-Vanik and what happens with those in Russia who are trying to emigrate from Russia, this is just an outrage. There is no comparison at all. It is just the opposite.

I commend my friend, the gentleman from Florida, for taking a strong stand on this issue.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from Florida [Mr. WELDON].

Mr. WELDON of Florida. Mr. Chairman, while Republicans take positive steps to reduce the marriage penalty, Democrats are giving America's families one more incentive not to stay together. Under their substitute, a family making $75,000 can deduct up to $5,000 per year for educational expenses. However, a divorced couple or

an unmarried couple living together, each earning $50,000 or $100,000 combined, can deduct up to $5,000 each, or a total of $10,000. In other words, Mr. Chairman, Democrats reward families that stay together with a $5,000 tax penalty.

Anti-family policies like this one, simply put, are destructive to families and should be rejected. I urge that we vote ''no'' on the substitute.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from Massachusetts [Mr. NEAL].

(Mr. NEAL of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. NEAL of Massachusetts. Mr. Chairman, let me say at the outset, this is a Member on the Democratic side who favored a targeted capital gains package, who has been the author with the gentleman from California [Mr. THOMAS] of the Individual Retirement Account, its tax advantage restoration, and who favors the idea of allowing seniors to earn and keep more despite Social Security obligations.

Most of the Members on this side would have voted for those provisions tonight if it was not an all-or-nothing package. But let me get to the point at hand. The favorite refrain heard on this side of the aisle these days is this: I did not write the contract. The second most well-heard refrain on this side of the aisle these days is, ''The Senate will correct it.''

Let me say tonight, there are 133,000 students in Massachusetts, and I represent an area with some of the finest colleges in America who are going to begin to pay a lot more at the end of this contractual day for their student loans when this House gets done.

We had an opportunity in this House to find middle ground on most of these issues where most of the Members on both sides rest.

Don't heed my warning tonight. Heed the warning of George Bush who called it voodoo economics. And heed the warning of David Stockman who said it was the triumph of politics.

Let me close on this note. There is one thing that NEWT GINGRICH, RICHIE NEAL, DICK ARMEY, and PHIL GRAMM all have in common. We all had student loans guaranteed by the Federal Government, and it has paid a huge dividend for the American people. Do not deny the next generation that same opportunity.

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Mr. ARCHER. Mr. Chairman, I yield 6 minutes to a respected Member, the gentleman from California [Mr. THOMAS], chairman of the Health Subcommittee of the Committee on Ways and Means.

(Mr. THOMAS asked and was given permission to revise and extend his remarks.)

Mr. THOMAS. Mr. Chairman, the American people in November decided to put their trust in our party in this House after 40 years. In large part I believe it was because we told them what we were for. We offered a contract with the American people. They know what we are for.

We know what you are against. You have indicated that over and over and over. We know what you are against.

The 2 great parties in this county should be for something. The American people know where we are. We have our contract. Let us try to determine where the Democrats are.

Following the November election the President of the United States went on television and told the American people, and this is from the administration's revenue proposals, Department of the Treasury, it says ''tax relief for middle class families has been and continues to be an important goal of this Administration.'' The proposal: ''A nonrefundable tax credit granted for only those children under 13 to ultimately reach $500 per child.'' Marvelous new idea. I wonder where the President got it?

When we debated this bill in the Committee on Ways and Means, and the Democrats had an opportunity to offer a substitute at the end of the debate in the Committee on Ways and Means over our middle-class tax proposal, this was the amendment that the Democrats offered. The amendment in its entirety as a substitute for our proposal laid out to the American people before the election was not what the President said he was for. Their amendment as a substitute in toto was one word, one word: Insert after section 1 the following new section, section 2, ''sunset.'' ''It is not that we are against what you are proposing,'' the Democrats said in the Committee on Ways and Means, we just do not think it ought to be open-ended for the American people. We think it ought to be sunsetted, stopped at a given time, should not apply after January 1, 2001.

The President said he has been for a long time for middle-class tax relief. The Democrats said, yeah well, it is okay, but sunset it.

And then we have in front of us tonight the minority leader's substitute. Does it look like the President's bill as he said he wanted it and as the gentleman from Missouri [Mr. GEPHARDT] introduced along with the gentleman from Florida [Mr. GIBBONS] in February called H.R. 980 which had the middle-class tax cut in it? No. What this proposal has in it is one of the most onerous provisions that has ever come to this floor.

We heard the gentleman from Michigan give a representation about this business of taxing people because they have decided to give up their United States citizenship. Many people in this country are born here and get citizenship by birth, others acquire it after birth. It is something that you can get, and it has always been something that you can give up.

We have had a law on the books for years that says if you are going to give up your citizenship to avoid paying taxes, then there are actions that can be taken. That is not what is in the proposal by the minority leader, and let me turn to the testimony in the Oversight Subcommittee of just a few short days ago when Chairman JOHNSON, the gentlewoman from Connecticut, inquired of the Treasury representative, Mr. Guttentag, What is it that you are proposing, how many people have given up their citizenship? Mr. Guttentag then went through numbers over the last several years, several hundred people. She then said, How many of them have given up their citizenship to avoid taxes? The representative of the administration of the Department of Treasury said, ''We do not know''.

She then said, ''How in the world can you have a revenue estimate about how much money you are going to make if in fact you do not know how many people voluntarily gave up their citizenship to avoid taxes?'' Listen to the reply of the Administration's representative, and see if it is not chilling. ''The Clinton-Gephardt proposal,'' he indicated, ''does not require an intent to avoid taxes.''

He said, ''The Administration's proposal does not require an intent to avoid taxes.'' The fact that you would have the audacity to decide that you were voluntarily giving up your citizenship would result in tax penalties and we have heard these Members taking the floor saying there is no way you can compare yourself with the Soviet Union. Outrageous to do that. The Soviet Union used to make people pay a penalty for leaving their country voluntarily. You had to pay through the nose.

We have historically said if you are trying to avoid taxes, then we are going to get you. What this proposal says, and which is included in the new substitute, is we are going to get you even if it is not to avoid taxes.

We have lost the high moral ground. Do not let this substitute pass with this onerous provision.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from Maryland [Mr. MFUME].

Mr. MFUME. Mr. Chairman, I said earlier that Ringling Brothers and Barnum & Bailey came to town today and put on a great performance of elephants and clowns outside of this building, but it does not come close to the high wire act that is being performed here by the daredevils of the high wire of this legislation who are attempting through blue smoke and mirrors to pull a rabbit out of a hat and dangle the American taxpayer from the high trapeze bar, suggesting that this bill somehow will achieve deficit reduction.

For the average Federal employee earning $40,000 a year the Republican proposal imposes an additional $1,000 in taxes resulting from increased contributions to their pension system, and I have yet to hear somebody on the

other side talk about the plight of Federal employees regarding this.

More than half of the tax benefits will go to families with incomes between $100,000 and $200,000. Is $200,000 a year middle class? You go figure.

If you earn $100,000 you get $11,000 in tax reductions, but if you earn $30,000 you get $124 in tax reductions.

This bill increases the deficit. It rewards the wealthy, it punishes working Americans, and I do not care what people say, when you take money out of their pocket, $1,000 per Federal employee, that is a punishment.

So in the end, the difference between last year's Republican rhetoric and this year's Republican rhetoric is a matter of Tweedledee and Tweedledum. The party that gave us voodoo economics is now giving us Robin Hood in reverse. I said it earlier, so let me repeat it for those who did not hear. The giant sucking sound we will hear from now on will not be NAFTA, it will be AFTA, angry, frustrated Americans who are carrying the brunt of this and carrying the biggest weight as a result of what I consider to be foolishness on the part of those who have designed it.

Mr. ARCHER. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mr. HASTERT].

Mr. HASTERT. Mr. Chairman, I thank the gentleman from Texas for yielding me the time.

Mr. Chairman, I am amazed here to sit and listen to this debate here tonight and see how fact and fiction is twisted and turned and twisted. I would like to set the record straight.

First of all, I have a letter here from Abraham Chayes who is a professor of law at Harvard University. He says:

I am writing to express my concern about the current proposal before the U.S. House to impose a tax on persons leaving the United States who renounce their citizenship. I understand this proposal is now in the House in debate. I am the Felix Frankfurther Professor of Law emeritus at Harvard Law School where I teach international law. From 1961 to 1964, I was the Legal Adviser to the department of State.

In my opinion, the proposed expatriation tax raises serious questions under the Constitution and international law involving the fundamental right of voluntary expatriation and immigration. As you may know, the International Law Section of the ABA in its statement of March 8, concluded that the proposed expatriation tax ''may be an illegal restriction on the fundamental right to emigrate.''

I go on.

The proposed tax, which applies without regard to the individual's motivation, imposes much more than a nominal penalty on citizens who wish to emigrate. Thus, it has serious human rights implications and is inconsistent with longstanding U.S. policies with respect to the right of free emigration expressed in the Jackson-Vanik Amendment to the Trade Act of 1974.

And he goes on, and it is signed sincerely, Abraham Chayes, Harvard School of Law.

Mr. Chairman, I include for the RECORD the letter in its entirety

HARVARD LAW SCHOOL,
*Cambridge, March 30, 1995.*

Hon. NANCY L. THOMPSON,
*U.S. House of Representatives,*
*Washington, DC.*

DEAR CONGRESSMAN JOHNSON: I am writing to express my concern about the current proposal in the Senate version of H.R. 831 to impose a tax on persons leaving the United States who renounce their citizenship. I understand this proposal is now in House-Senate conference. I am the Felix Frankfurter Professor of Law emeritus at Harvard Law School where I teach international law. From 1961 to 1964, I was the Legal Adviser to the Department of State.

In my opinion, the proposed expatriation tax raises serious questions under the Constitution and international law involving the fundamental right of voluntary expatriation and emigration. As you may know, the International Law Section of the ABA in its statement of March 8, concluded that the proposed expatriation tax ''may be an illegal restriction on the fundamental right to emigrate.'' It also appears to burden the constitutionally based right of voluntary expatriation. See *Richards* v. *Secretary of State*, 752 F.2d 1413, 1422 (9th Cir. 1985).

The proposed tax, which applies without regard to the individual's motivation, imposes much more than a nominal penalty on citizens who wish to emigrate. Thus, it has serious human rights implications and is inconsistent with long-standing. U.S. policies with respect to the right of free emigration expressed in the Jackson-Vanick Amendment to the Trade Act of 1974 and elsewhere. Indeed, this policy was a centerpiece of our effective opposition to the Soviet Union during the 1970s and 1980s. If the United States now adopts this restrictive approach, it will give oppressive foreign governments an excuse to retain or erect barriers to expatriation and emigration.

I strongly urge you to protect these important freedoms by rejecting the proposed expatriation tax in the Conference Committee.

Sincerely,

ABRAM CHAYES.

You know, Mr. Chairman, after 40 years of Democrat rule, the people need a break from high taxes, higher spending and hyperbole. Last November they got that break. They voted in a Republican majority that promised change and in this tax bill we have delivered this change.

I ask for a negative vote on this piece of legislation. The Gephardt substitute is not change. It is the same old story. It contains no real tax relief for middle-class Americans, it contains no real breaks for senior citizens, it contains no incentives for job creation.

It is as if the Democrats do not really believe that the American people have had enough of tax-and-spend politics for the last 40 years.

Well, I have news for the Democrat leadership. The American people are sick and tired of being taxed and spent to death. The Gephardt substitute proves a point I have believed for some time. The Democrat leadership wants to raise taxes. The Republican Party wants to cut taxes. I urge my colleagues on both sides of the aisle to vote against the Gephardt substitute and vote for tax fairness and deficit reduction.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from the State of Rhode Island [Mr. KENNEDY].

(Mr. KENNEDY of Rhode Island asked and was given permission to revise and extend his remarks.)

Mr. KENNEDY of Rhode Island. Mr. Chairman, I want to thank the gentleman from Michigan for yielding time to me.

Mr. Chairman, the debate is about students, students and their futures. The cost of a college education is rising faster than middle-income families can afford. In fact, paying for college now ranks second only to buying a home as the most expensive investment for the average family.

Last week in my State of Rhode Island, three colleges announced once again that they were raising their tuition. In the last 5 years the University of Rhode Island has raised tuition 83 percent. Rhode Island College and the Community College of Rhode Island tuition has gone up 67 percent and 66 percent respectively since 1990.

What makes matters worse, the balance of aid that students have used in the past to help them afford these rising costs has shifted. In the early 1980s it was 75 percent grants and 25 percent loans. Today, the reverse is true. It is 75 percent loans and 25 percent grants.

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And the Republicans now want to eliminate the interest subsidy for student loans. That compounds the already difficult problem that middle-class families are having in affording an education because of the elimination on the deduction on student loans that was put through in the 1980's.

Mr. Chairman, ladies and gentleman of the House, I ask my colleagues to support the Gephardt substitute, because the Republicans keep talking about jobs, but they are not going to be able to get the high-paying jobs without a high-skills education that they are going to need if they do not go to college.

Mr. Chairman, the question before us today is what kind of tax relief are we going to give to the American people? Are we going to hand out huge tax breaks to the wealthiest Americans, open loopholes so big some of our most profitable companies will be able to avoid paying any tax at all, or are we going to give some help to middle income Americans, to young people who are struggling to pay for their education? The choice is clear—it is between the past and the future. The Contract plan is a return to the failed, unfair policies of the past. The Democratic alternative is about investing in our future. It is about making sure we have the high skill workers for the high skill, high wage jobs of tomorrow.

Middle income families need the tax relief offered by the Democratic alternative. The cost of post-secondary education is rising faster than middle income families can afford. In fact, paying for college now ranks second only to buying a home as the most expensive investment for the average family. Last week, in my State of Rhode Island, three different colleges announced once again that they were

raising their tuition. In the last 5 years the University of Rhode Island has raised its tuition 83 percent. At Rhode Island College, and the Community College of Rhode Island, tuition has gone up 67 percent and 66 percent, respectively since 1990. What makes matters worse, the balance of aid that students have used in the past to help afford these rising costs has shifted. Fifteen years ago the mix of Federal student financial aid was 75 percent grants and 25 percent loans. In 1995 those figures are reversed. I submit to my colleagues, that if the Federal Government does not take some course of action, the middle class will soon be shut out of higher education. These are the people who need tax relief, not the Fortune 500 singled out in the GOP proposal.

The Republican party offers tax cuts that will send more than 58 percent of total capital gains tax breaks to those making more than $200,000 a year—the top 2.6 percent of all tax fliers. Households earning $200,000 would receive an average cut of over $11,000 a year, whereas those under $30,000 would receive less than $150 per year. The Contract On America tax bill will cost the American people almost $700 billion over the next 10 years. It is clear what interests the Republicans represent.

Under the Republicans, who is going to pay? Students—our future. They give loopholes to the rich and roadblocks to students. Simply put, they are standing on the backs of students to support the wealthy. In addition to their tax cut, the Republicans plan to severely cut aid to students.

Fact: The GOP is poised to eliminate the interest-deferral on the Stafford Loan program. Currently, the interest on the Stafford Loan is deferred until 6 months after graduation. Under the Republican plan, interest would begin accruing on the loan immediately.

Fact: By removing the interest deferral, American students will face a $9.6 billion increase in the cost of post-secondary education over the next 5 years. That's over $4,000 added to the loan repayments for each student.

Fact: The GOP is poised to eliminate the Perkins Loan program. Post-secondary institutions use the Perkins program to help low income students take out low interest loans to pay for college. Eliminating this program will add $785 million to the cost of going to college over the next 5 years.

In short, the Republican plan will kill the dream of higher education for thousands of middle income students. The Democrats however, have a plan that will help that dream come true. The Democratic plan identifies our students as our Nation's most precious commodity. It helps them achieve their goals by creating incentives to save and methods by which students will find it easier to payback their loan debts.

During the last Congress, President Clinton's Direct Lending Program took an important step in helping young adults realize their education dreams. The Direct Lending program made it easier for students to take on the cost of higher education by simplifying the loan process and creating new ways for students to payback their loans. Ultimately, Direct Lending is a step in the right direction but it falls short of easing the burden of paying back the loans. For this reason I introduced the Student Loan Affordability Act of 1995. This bill grants a deduction for the payment of interest on student loans. Just like that provided for mortgage interest. Today, I am proud to say that Democratic Leader GEPHARDT has incorporated this idea into his education tax cut plan for the middle class citizens of this country.

The Democratic alternative is affordable, and does not explode the deficit. Moreoever, it does not simply cut taxes, but it represents a real investment for the American taxpayer. Last year the Government paid out an estimated $2 billion to cover defaulted student loan costs. This is money that we can never retrieve and results in higher costs to the taxpayers. The Democratic proposal encourages students to work within the system, payback their loans, and one day make additional investments in the economy.

I urge my colleagues to vote for the plan that represents real savings for the middle class of this country. Eighty-nine percent of the American people oppose cuts to student financial aid programs. They want their children to pursue higher education and achieve their dreams. The Republicans offer a tax cut to the rich and then try to pay for it on the backs of students. We can't afford trickle down 2. Support the tax cut that invests in our future—not the one which repeats the mistakes of the past. Support the plan that opens doors for our students—not the plan that shuts them out. Support the Democratic substitute and invest in the future of those who will lead America tomorrow.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the gentleman from New Mexico [Mr. RICHARDSON], the distinguished chief deputy whip.

(Mr. RICHARDSON asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Chairman, the Democratic substitute is about investing in people and education.

Too many Americans between the ages of 25 and 40 are not able to invest extra money or buy a house because they have to repay school loans. Our best-educated citizens are handed diplomas and then pushed into a huge pool of debt.

We are bombarded with calls from the private sector to educate a work force that can compete in the global arena, yet we are unwilling to provide any tax incentives for education. Instead, we offer General Motors generous value-added tax writeoffs to guarantee returns on their investments.

Mr. Chairman, the Democratic substitute stands for middle-class families, for education benefit, a $10,000 deduction per family for education expenses, making student loans deductible, an IRA plan for education expenses, education plan savings bond, and it is paid for. It is paid for through savings in government reform and closing billionaires' loopholes.

Unlike the Republicans fig leaf, the Democratic tax benefits would not be provided until deficit targets have been achieved.

Mr. Chairman, let us have tax cuts, but let us be responsible. Let us pay for them. Let us give them to those Americans that deserve them, that have been shouldering the blame and expense for the last 50 years. Let us not give it to millionaires and corporations.

We stand for the middle class, and they are the ones that should benefit.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from Louisiana [Mr. JEFFERSON].

Mr. JEFFERSON. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I wish to rise in support of the Gephardt amendment and to voice concern regarding the Republican tax bill.

One of the immutable principles of tax law is fairness. Unfortunately, the only place fairness appears in this Republican tax bill is in the title.

Tax fairness would mean that the so-called reform bill before us would benefit not just the privileged few but the majority of American taxpayers by providing for an across-the-board set of sacrifices shouldered proportionately by every taxpayer based on his or her ability to pay. In this regard, with regard to unfairness, the Republican tax bill is doubly guilty. First, it pays for the $630 billion cost on the small shoulders of the most vulnerable Americans, our Nation's children, through cuts in programs that support children and families.

Secondly, the Republican bill hands its tax benefits over to the wealthiest Americans.

Finally, it disregards our responsibility to reduce the Federal deficit.

Mr. Chairman, the Gephardt amendment sets things right. It represents a more uniform way to help eliminate the current budget deficit. It is fair to the middle-class taxpayer and promotes education and savings and is overall good for our families, and it will ensure that deficit reduction is made before any tax cuts take effect.

Finally, Mr. Chairman, America needs the Gephardt amendment. It has no hidden set of agendas. It singles out no special-interest group. Giving tax breaks to the middle class while reducing our deficit, keeping intact programs for our children and for the elderly, for students, and for families is why Gephardt makes sense.

I urge you to approve the Gephardt amendment.

Mr. ARCHER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this body has heard over and over again the programmed rhetoric that clearly is assigned to every Democrat Member of the House, that the benefits of these taxes go to the wealthy.

The benefits of these taxes go to senior citizens who have retirement income of $34,000. Is that wealthy?

When we reduce the 85-percent tax on their Social Security benefits put on by the Clinton budget in 1993, I say, is that wealthy?

Seventy-five percent of the child tax credit goes to family income of less than $75,000. That can be wage earners.

Is that wealthy? That is 75 percent. I say, is that wealthy?

Adoption tax credits go to all taxpayers up to a limited amount. Is that wealthy. No. It is not.

The overwhelming majority of the tax benefits in this bill go to working Americans who are not wealthy.

Mr. Chairman, I reserve the balance of my time.

Mr. BONIOR. Mr. Chairman, I yield 1 minute to the distinguished gentleman from New Jersey [Mr. MENENDEZ].

(Mr. MENENDEZ asked and was given permission to revise and extend his remarks.)

Mr. MENENDEZ. Mr. Chairman, it is clear everyone here would like to be able to pass a tax cut, but with a deficit looming, tax cuts cannot simply be distributed as free gifts that have no costs. The costs hang on all of our necks as an albatross until the deficit has been brought under control.

Cuts, if any, should be given to those in need, and clearly families earning the median income, in my district, as an example, are in need. We can help them with the Gephardt substitute.

The tax cuts in the Republican bill would be paid for by putting families in my district out on the street when their public housing crumbles from neglect and by snatching away hot lunches from their children. In return, the bill affords them an average tax cut of $10 a month, $10 a month.

By contrast, families earning $200,000 or more will reach nearly $1,000 a month in cuts. Mr. Chairman, that is clearly a raw deal.

And as for seniors, if they are going to lose their housing, senior housing repairs, their security patrols, their home energy assistance, their Medicaid being slashed, that is not a good deal for them either.

The family vote, the 13th District vote in New Jersey, the one that makes sense and does not hang on the deficit is the Gephardt substitute.

Mr. BONIOR. Mr. Chairman, I yield 1½ minutes to the distinguished gentleman from Pennsylvania [Mr. KLINK].

Mr. KLINK. Mr. Chairman, we have often heard those who do not learn from history are doomed to repeat it. Usually there is a lot more time that passes than just 14 years.

But for those of us that remember 1981 and that famous Reagan tax cut that was going to bring us all prosperity, that trickle-down economics, we remember later that David Stockman said it was a Trojan horse just designed to bring down the top rate. I would suggest, if that was a Trojan horse, then the Republican tax cut bill we are faced with tonight is a Trojan elephant.

I can remember the results in the Pittsburgh area and much of the industrial Northeast of trickle-down economics. I remember standing outside plant gates when plants were shutting down and tens of thousands of workers were put out in the street. Now we are coming back for a second bite. We have got a tax-reduction bill that they are calling that in my State of Pennsylvania will cause 343,000 college students to pay more for college loans, that will cause 473 school districts across Pennsylvania to lose money for safe schools and drug-free schools, that will cause 68,000 Pennsylvania kids to lose summer jobs. That is what the Republican proposal is about. It is about 1 million kids in Pennsylvania that will lose their school lunches. It is about 311,000 Pennsylvania senior citizens that will not get help paying their electric bill and may have to freeze and may have to make some hard choices.

This is not about a Republican tax break. This is about a Republican rape of the poor and the middle class in order to reward the wealthy.

Mr. BONIOR. Mr. Chairman, I yield 1 minute to the distinguished gentleman from New York [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, I rise in strong support of the Gephardt bill which embraces middle-class values and middle-class families.

While the Republicans are trying to cut and eliminate student loans, this bill will enable more middle-class college students to go to college.

You know, it reminds me of Robin Hood; at least, Robin Hood stole from the rich to give to the poor. This steals from the poor and the middle class to give to the rich, and let us call it the way it is.

This Gephardt substitute is the only substitute or amendment that was allowed. The Republicans would not allow any other amendments, because they know that it would pass.

What I would like to know is how 102 of my Republican colleagues can sign a letter saying no tax breaks for the wealthy and they just fold under the Speaker's juggernaut, how 30 Members on the other side of the aisle, 30 Republican Members, say there must be deficit reduction before there are tax cuts, and then they just fold and vote for the rule and vote for the bill.

This bill says all tax breaks, this substitute, all tax breaks are revoked if deficit targets are not met. That is what we should do.

And look how we are beating up on Federal workers. It is bad enough we have no respect for ourselves apparently. But why beat up on the Federal workers? I guess if you are wealthy and you are millionaires, it does not matter. But most of America is not.

Support the Gephardt substitute. It helps the middle class.

Mr. ARCHER. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Chairman, the real truth is that Democrats do not like this bill because Democrats like to tax nearly everything, and they love taxes.

And I found just an absolutely fascinating quote from a senior member of the Democratic Party who was on the floor last night speaking to us, and the gentleman gives us a quote here that I think is absolutely fascinating. He is prepared to tax the air we breathe.

Let me quote to you from what he says. He says,

> Technology has brought us to this point. The technology was produced by the genius of people over many, many years, but it has brought us to the point where suddenly the atmosphere above or heads is valuable. It is worth a great deal of money. Let us find a way to tax that for the benefit of all Americans. That is just one of the taxes.

That is right, Democrats have suddenly realized they may be able to tax the air we breathe. No wonder they do not want tax cuts. They want more taxes.

Mr. BONIOR. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. COLEMAN].

(Mr. COLEMAN asked and was given permission to revise and extend his remarks.)

Mr. COLEMAN. Mr. Chairman, I rise in opposition to the tax, cutting off the air we breathe.

Mr. Chairman, I rise to state my strong opposition to the Republican tax cut bill that is being considered today.

Mr. Chairman, this bill will increase interest payments on the national debt and shackle our economy. It will add to the mountain of debt which our children will inherit.

There are a few popular tax benefits in the Republican plan, namely the tax credit for children, the repeal of the marriage tax, the capital gains tax cut, and the raising of the earnings limit for elderly Americans. I only regret that they are attached to such a bad bill.

I do believe that American families deserve tax relief. The tax credit for children is a laudable goal. I also believe that the marriage penalty in our current tax laws is something that we should eliminate. Current law adds a disincentive for couples to stay together and become contributors to American society. I was a cosponsor of various measures in the last Congress which would have rectified this. I also support a capital gains tax cut because I believe, and studies show, that it spurs economic growth, especially in depressed areas. But this cut at this time is a mistake. Finally, I also believe that the earnings limit on elderly Americans should be raised. I have supported these provisions before and will gladly do so again.

However, these popular segments far from balance the massive cost of this tax package, $189 billion in spending cuts over 5 years. During this time of high deficits, we cannot continue to add to the debt. Our children will suffer later when they will be forced to pay for our spending. In addition, working families will bear the brunt of these cuts needed to pay for the wealthy's tax breaks.

This bill is like a hand grenade with the pin pulled out. While it gives away almost $189 billion in the first 5 years, the Treasury Department estimates it will actually cost $630 billion over a 10-year period. That will be a true explosion.

Mr. Chairman, the tax cuts the bill calls for mainly benefit the rich. A Treasury Department study shows that a working family making between $30,000 and $50,000 a year would receive $569 in tax relief under this bill. This

pales in comparison to the $11,266 in tax relief the legislation gives to a family with an income over $200,000. The Treasury Department also estimates that corporations and only the top 12 percent of the wealthiest taxpayers would get more than half of the tax break. Seventy-six percent of the $31 billion, 5-year cost of the capital gains tax cut would go to families making over $100,000. In my district these families are not considered middle class, Mr. Chairman.

This bill is also tough on Federal employees numbering about 30,000 in the El Paso area, which I represent. This bill will increase the payroll withholding for older Federal employees by 33 percent and for newer Federal employees by 313 percent. Under this legislation, middle-class Federal employees will pay an additional $905 in taxes to receive $125 in tax cuts.

The Republicans failed to obtain approval of this retirement contribution change in the committee of jurisdiction; the Government Reform and Oversight Committee. Thus, they subverted the legislative process and inserted this change in the Rules Committee. The leadership's promises to address this in later legislation is simply a fig leaf that we have seen before such as the lock-box/deficit-reduction mechanism in the welfare reform debate.

There are other ways in which middle- and low-income working families will pay if we enact this bill. For example, there will be large cuts in the welfare system and in nutrition programs which will significantly reduce benefits of 2.8 million needy families by the year 2000 according to the CBO; and higher Medicare costs will be borne by millions of older Americans.

I also want to remind my colleagues of the illustrative list of spending cuts released by Budget Committee Chairman KASICH the other day for the express purpose of paying for today's tax cuts. As you know, the Budget Committee reported legislation that cuts discretionary spending by $100 billion over the next 5 years (H.R. 1219). Yet, these suggested cuts do not even cover the $189 billion cost of this tax cut bill. Again, these cuts are aimed at working American families. These include; elimination of the Low Income Heating Program [LIHEAP], elimination of many job training programs including those aimed at displaced workers like the Trade Adjustment Assistance and NAFTA Adjustment Assistance, elimination of summer youth jobs programs, reduced funding for school-to-work programs and Goals 2000, elimination of Federal efforts in vocational and adult education, elimination of the Legal Services Corporation, elimination of PBS, and repealing the Davis-Bacon Act.

Even more, these illustrative cuts include several programs that are cut or eliminated in the 1995 rescission bill. This means the cuts already made in the rescission package are not available to meet the new $100 billion cut. Therefore, this is double-counting, Mr. Chairman. Like Reagan-era budget wizards of yesteryear the other party is once again engaging in funny math.

Under the Republican tax cut bill, these cuts will only be used to pay for the tax benefits going to mostly upper income Americans and the business community. The proposed spending reductions do nothing to reduce the Federal deficit. That means additional and even deeper cuts will come later in the year.

Mr. Chairman, the American people are looking at the Congress today and they see two incongruous goals: tax cuts and reducing the deficit. They have been rightly critical of Congress in the last few years. We must reject this bill because of the mixed message we continue to send to the American people.

In the 103d Congress, the Democrats and the President put before the American people tough and painful choices that were necessary to reduce the deficit. We imposed tough spending and entitlement caps. As a result, we will reduce the annual deficits of 1994–95 by more than $600 billion over 5 years. The economy has responded to our medicine by giving us one of the largest post WWII expansions in history. Some say the Democrats paid a high price for what we did in last November; if so, then so be it. Our country is better for it.

Finally, Mr. Chairman, the actions we are taking by approving this tax cut plan will send shudders around world financial markets. The dollar continues its downward slide. Americans are still uneasy about the future. Approval of this tax cut bill could send our economy into a tailspin.

Mr. Chairman, this is not the jewel our Speaker constantly refers to, but rather fools gold. This represents a return to the failed supply-side economics of Ronald Reagan—trickle-down economics. Well, Mr. Chairman, America has been trickled on quite enough. I urge my colleagues to resist this invitation to fiscal and economic disaster. Oppose the Republican tax cut bill.

Mr. BONIOR. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Maine [Mr. BALDACCI].

(Mr. BALDACCI asked and was given permission to revise and extend his remarks.)

Mr. BALDACCI. Mr. Chairman, I support the Gephardt substitute which provides $31.6 billion in tax relief to American families earning primarily between $20,000 and $85,000 per year, and encourages investments in education and training to strengthen our economy. This is a responsible, fully paid for, and carefully targeted plan, and I applaud the efforts of the Democratic leader in bringing this to the House today.

I am opposed to the underlying deficit-busting tax legislation proposed by our Republican colleagues. It hurts middle- and low-income families, businesses, many States, and children. It benefits the wealthiest Americans instead of those who need relief the most. It costs too much and will likely add billions to our Nation's deficit and debt.

H.R. 1215 is simply another tax giveaway for the well-off. Under this legislation, households earning $200,000 a year would receive an average tax cut of $11,266, while those earning under $30,000 a year would receive on average only $124. This is patently unfair.

H.R. 1215 hurts middle- and low-income American families. They are unlikely to see any significant benefits from the bill's provisions. In fact, because the bill's centerpiece—a $500 tax credit for each child—is nonrefundable, it is estimated that 24 million children would not qualify for the credit because their families' income is too low to have any tax liability.

Contrary to our colleagues' claims, this bill will not necessarily help small business. In fact, because this plan may lead to increases in interest rates, the plan may in fact hurt small businesses. Higher interest rates make the loans needed for expansion, upgrading equipment, or making other infrastructure improvements more expensive for businesses.

H.R. 1215 will hurt the States. Many States, including Maine, use Federal adjusted gross income to calculate taxable income for State income tax purposes. Unless States cease to conform to Federal depreciation and capital gains provisions, they will be faced with enormous revenue losses. In Maine, those losses are estimated to be $370 million. It is ironic that this legislation is offered by the party that also offered legislation to curb unfunded mandates. This is just another example of how some of our colleagues are willing to say one thing and then do another for the sake of political expediency.

Finally, H.R. 1215 will hurt our children, our Nation's most precious natural resource. The bill uses savings achieved at the expense of schools lunches, WIC, and other programs which benefit children to help fund tax breaks for those earning more than $100,000. This bill will lead to cuts in student financial aid, public housing, and education.

Moreover, this bill is a budget-buster. The Congressional Budget Office estimates that it will cost our country $630 billion over the next 10 years. The proposed spending cuts don't even come close to paying for this cost explosion. The result, or course, will be even higher deficits and debts. Once again, we are mortgaging our children's future.

Mr. Chairman, H.R. 1215 is irresponsible. It fails to target the families that have been overburdened by taxes for too long. Instead, it gives tremendous tax breaks to wealthy Americans and to corporations. It hurts middle- and low-income families, small businesses, the States, and our children. It ignores our deficit and debt, and explodes in cost after 5 years.

We need tax relief. But we need responsible, targeted tax relief. I urge my colleagues to support the Gephardt substitute, and to vote down the Republican alternative which threatens to balloon our Nation's deficits and make it much harder to ever balance the Federal budget and get our fiscal house in order.

Mr. BONIOR. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Kentucky [Mr. WARD].

□ 2100

Mr. WARD. Mr. Chairman, earlier today I heard a supporter of this unfair tax bill say that, no, they were not really cutting school loan programs. Why he said with a straight face, a straight face, that a person could take their $500 tax break that is being given, put it in a savings account that is going to be created with this bill. They say, ''Take that $500 and have $14,000—$14,000 are waiting.''

I could not understand it. Well, it was $14,000, 18 years after they put that money in the bank.

Well, I told that to a high school senior from my State today, and he just laughed at me. He said, ''You know, it's going to cost $8,000 next year just to go to the University of Kentucky for 1 year.''

He said, Mr. Chairman, it is going to cost over $8,000 to attend the University of Kentucky for 1 year, so in 18 years $14,000 is not going to do a thing for them.

Mr. Chairman, that is why this bill is wrong. I urge its defeat.

Mr. BONIOR. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Texas [Ms. JACKSON-LEE].

(Ms. JACKSON-LEE asked and was given permission to revise and extend her remarks.

Ms. JACKSON-LEE. Mr. Chairman, I rise to support a real tax bill, one that in fact saves student loans, and I support the Gephardt bill.

Mr. ARCHER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present.

Members will record their presence by electronic device.

The call was taken by electronic device, and the following Members responded to their names:

[Roll No. 291]

Abercrombie
Ackerman
Allard
Andrews
Archer
Armey
Bachus
Baesler
Baker (CA)
Baker (LA)
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Beilenson
Bentsen
Bereuter
Bevill
Bilbray
Bilirakis
Bishop
Bliley
Blute
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Browder
Brown (CA)
Brown (FL)
Brown (OH)
Brownback
Bryant (TN)
Bunn
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Canady
Cardin
Castle
Chabot
Chambliss
Chenoweth
Christensen
Chrysler
Clay
Clayton
Clement
Clinger
Clyburn
Coble
Coburn
Coleman
Collins (GA)
Collins (IL)
Collins (MI)
Combest
Condit
Conyers
Cooley
Costello
Cox
Coyne
Crane
Crapo
Cremeans
Cubin
Cunningham
Davis
de la Garza
Deal
DeFazio
DeLauro
DeLay
Dellums
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Dornan
Doyle
Dreier
Duncan
Dunn
Durbin
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Ensign
Eshoo
Evans
Everett
Ewing
Farr
Fattah
Fawell
Fazio
Fields (LA)
Fields (TX)
Filner
Flake
Flanagan
Foglietta
Foley
Forbes
Ford
Fowler
Fox
Franks (CT)
Franks (NJ)
Frelinghuysen
Frisa
Frost
Funderburk
Furse
Gallegly
Ganske
Gejdenson
Gekas
Gephardt
Geren
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goodlatte
Goodling
Gordon
Goss
Graham
Green
Greenwood
Gunderson
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hancock
Hansen
Harman
Hastert
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hefner
Heineman
Herger
Hilleary
Hilliard
Hinchey
Hobson
Hoekstra
Hoke
Holden
Horn
Hostettler
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson-Lee
Jacobs
Jefferson
Johnson (CT)
Johnson (SD)
Johnson, E. B.
Johnson, Sam
Johnston
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kim
King
Kingston
Klink
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Lantos
Largent
Latham
LaTourette
Laughlin
Lazio
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Lightfoot
Lincoln
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Longley
Lowey
Lucas
Luther
Maloney
Manton
Manzullo
Markey
Martinez
Martini
Mascara
Matsui
McCarthy
McCollum
McCrery
McDade
McDermott
McHale
McHugh
McInnis
McIntosh
McKeon
McKinney
McNulty
Meehan
Meek
Menendez
Metcalf
Meyers
Mfume
Mica
Miller (CA)
Miller (FL)
Mineta
Minge
Mink
Moakley
Molinari
Mollohan
Montgomery
Moorhead
Moran
Morella
Murtha
Myers
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Owens
Packard
Pallone
Parker
Paxon
Payne (NJ)
Payne (VA)
Peterson (FL)
Peterson (MN)
Petri
Pickett
Pombo
Pomeroy
Porter
Portman
Poshard
Pryce
Quillen
Quinn
Radanovich
Rahall
Ramstad
Rangel
Reed
Regula
Richardson
Rivers
Roberts
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Rose
Roth
Roukema
Roybal-Allard
Royce
Rush
Sabo
Salmon
Sanders
Sanford
Sawyer
Saxton
Scarborough
Schaefer
Schiff
Schroeder
Schumer
Scott
Sensenbrenner
Serrano
Shadegg
Shaw
Shays
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Spratt
Stearns
Stenholm
Stockman
Stokes
Studds
Stump
Stupak
Talent
Tanner
Tate
Tauzin
Taylor (MS)
Taylor (NC)
Tejeda
Thomas
Thompson
Thornberry
Thornton
Thurman
Tiahrt
Torkildsen
Torres
Torricelli
Towns
Traficant
Tucker
Upton
Velazquez
Vento
Visclosky
Volkmer
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Ward
Waters
Watt (NC)
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Williams
Wilson
Wise
Wolf
Woolsey
Wyden
Wynn
Yates
Young (AK)
Young (FL)
Zeliff
Zimmer

□ 2118

The CHAIRMAN. Four hundred sixteen Members have answered to their names, a quorum is present, and the Committee will resume its business.

The gentleman from Michigan [Mr. BONIOR] has 7 minutes remaining, and the gentleman from Texas [Mr. ARCHER] has 8 minutes remaining.

The Chair recognizes the gentleman from Michigan [Mr. BONIOR].

Mr. BONIOR. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. OWENS].

(Mr. OWENS asked and was given permission to revise and extend his remarks.)

Mr. OWENS. Mr. Chairman, I rise in strong opposition to H.R. 1215 and in support of the Democratic substitute.

Mr. Chairman, last weekend, we moved our clocks forward to begin daylight savings time. I was shocked that the Republicans allowed that to occur. After watching the action in this chamber for the past three months, I thought that our clocks only moved backward.

Today, the Republican leadership brings to the floor yet another bill that takes us back in time. H.R. 1215 takes us back to the 1980's when Reagan-Bush policies created a huge chasm between the rich and poor. This bill sets out to make that gap even wider and drive a wedge between the ''haves'' and ''have-nots'' of our society.

''Republican tax fairness'' is as much an oxymoron as ''you have to be cruel to be kind.'' In the name of deficit reduction, House Republicans have slashed programs serving the nation's most needy by $76 billion, while preparing to dish out $189 billion in tax breaks, mostly to the nation's wealthiest Americans.

Releasting $189 billion to the American people would not be so bad if it were done equitably, but equity and this bill are far from synonymous. The average tax cut for the top 1% of income-earning families would be $20,362 under the Republican proposal. But for families in the bottom one-fifth, the average tax cut would be a mere $36. So while wealthy families are out purchasing expensive, foreign cars, poor families will be buying a couple of tanks of gas.

The Republican bill also takes us back to the early 1980's when giant corporations were tax freeloaders. Through massive corporate depreciation loopholes and the repeal of the corporate ''alternative minimum tax,'' H.R. 1215 would guarantee that more than half of the largest companies in America would pay no taxes at all, just as they did prior to enactment of the 1986 tax reform package.

Additionally, Republicans are leading us in the wrong direction on capital gains tax policy. Capital gains already enjoy preferential treatment—a lower rate than earned income. That sends a message to hard-working Americans trying to move up the economic ladder that we value the small minority of people who own most of the nation's wealth more than we value the large majority of people who work at back-breaking jobs for barely a living wage. Mr. Speaker, that is the wrong message.

Instead, we should be rewarding people who earn their income through hard work the most while rewarding those who earn their income passively the least; for the latter group already owns the wealth they need to take care of themselves—they are already at the top of the economic ladder.

I have a bill that would lead us in this direction, the right direction. H.R. 538, the ''Citizens' Tax Relief Act of 1995,'' would lower the first income tax bracket from 15 percent to

12.5 percent, giving every American a tax cut. To pay for it, a huge tax loophole would be eliminated—the favorable tax treatment of inherited property. To be equitable, the bill also would exempt from taxes the first $250,000 of capital gains on the sale of inherited homes (which is currently available only to individuals over the age of 55 and only for the first $125,000) and provide lower capital gains tax rates on the inherited property of heirs who pay the tax in the first four years after enactment of the bill.

Currently, when a person dies and leaves property to a family member, the amount by which that property increased in value during the person's lifetime is never taxed. Such a policy is fundamentally unfair considering that if the same person sells the property before dying, the individual is taxed on the gain. My bill would reverse that policy.

A study conducted by two Cornell University professors showed that more than $10 trillion worth of property will be inherited over the next 45 years. That means that there will be several trillion dollars of capital gains that should be taxed. If Congress takes advantage of this opportunity, we would have more than enough money to pay for my proposed tax cut, so that the bill actually would increase the revenues of the federal government. With the money left over, we could invest in job creation and job training programs so that every American who is willing and able to work would have the opportunity to do so.

H.R. 1215 and other Republican proposals do very little to create jobs for those who need them. In fact, the combination of tax cuts and budget cuts is proving to be a one-two punch for America's poor. The bottom 26 percent of families who have incomes below $20,000 a year would receive less than 2 percent of the Republican tax cut benefits. Meanwhile, most of the budget reductions proposed by House Republicans have been in programs targeted to the poor. These reductions are only a small fraction of those needed to balance the budget over the next 7 years, which means that more bitter pills are on their way.

Republicans have offered nothing to poor and working class Americans this session and have taken much away. Now they are proposing to make federal employees pay, on average, an additional $905 a year to participate in the federal retirement program. That will effectively wipe out any benefit federal employees might have received from the tax cut.

Republicans, however, have offered sweetheart tax deals to the wealthiest corporations and sweetheart tax breaks for the wealthiest individuals. One of these individuals is Rupert Murdoch, a special friend of the Speaker of the House. The Republican leadership made sure that tax incentives for media conglomerates to sell broadcasting properties to minorities were eliminated from the law, but at the same time made sure that Rupert Murdoch's $150 million deal was untouched.

Mr. BONIOR. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, some day when historians look back on the first 100 days of this Congress, I think they may borrow that phrase from Charles Dickens, ''It was the best of times, it was the worst of times.'' If you are a Fortune 500 company looking for a big tax cut, if you are a billionaire Benedict Arnold sitting on a Caribbean beach, if you are a Rupert Murdoch sitting pretty with a $38 million tax break, it is the best of times, because the Republicans are looking out for you.

But if you are a kid looking for a school lunch, if you are a senior looking for a little heating assistance, if you are a student looking for a school loan, it may be the worst of times, because you are not part of the Gingrich revolution.

Time and time again this past 6 months we have heard Republicans talk about renewing American civilization. We have heard our Speaker talk about renewing American civilization. But they do not seem to understand that you cannot renew American civilization by taking Big Bird from a 5-year-old, school lunch from a 10-year-old, summer jobs from a 15-year-old, school loans from a 20-year-old, in order to pay for a tax cut for the privileged few in our society. And that is exactly what this bill that we will be voting on tonight does. And everybody knows it.

I say to my Republican friends, do not come to this floor tonight and tell us this is not a tax bill for the wealthy, because 106 Members of your own caucus signed a letter that said it was a tax bill for the wealthy. It was not a Democrat who said, ''Most people in my district do not consider someone making over $200,000 a year middle class.'' That, my friends, was a Republican.

Now, this bill operates under the old Republican theory that the best way to feed the birds is to give more oats to the horses. And do not tell us you are looking out for the next generation either, because you cannot save the children of the next generation by punishing the children of this generation.

Now, Republicans have come to the floor all afternoon and all evening and they kept saying they are making history today. But I say they are repeating history. I was here in 1981. I was here in 1981, when one of the worst votes of the history of this country were cast. Republicans came to the floor back then and said they had this magic solution. We are going to cut taxes. We are going to increase defense spending, and magically we are going to balance the budget.

Well, we know what happened. The rich got richer, the poor got poorer, the middle class got squeezed, and the deficit exploded. And now Republicans are ready to do it all over again, and once again when we ask for the details, all they say is ''Trust us. Trust us.''

Well, fool me once, shame on you; fool me twice, shame on me. It is no secret why the polls are telling you do not do this tonight. The American people will not be fooled again. NEWT GINGRICH calls this bill the crown jewel of the contract. Well, it may be the crown jewel for the wealthy, but for the rest of America it is nothing but fool's gold.

Mr. Chairman, let us do something today for middle class families for a change. Do you realize that since we began working on this contract, we have met for nearly 100 days, we have cast about 250 votes, we have not adopted one amendment that deals with jobs, one amendment that deals with income, one amendment that deals with health care, one amendment that deals with education, one amendment that deals with job training. Not one. Let us do something that targets the middle class for a change, 100 percent. 100 percent of the benefits in the Gephardt substitute go to working middle class families. It will help them send their kids to school, it will not cut student loans, it will let them deduct student loans. And, above all, it will help parents save for their children's education.

Mr. Chairman, this debate really comes down to one very simple question: Whose side are you on? Are you on the side of middle class families, or are you on the side of the privileged few? And if you think the problem in America is that the wealthy need more tax breaks, then vote against this substitute. But if you really want to do something to help middle income families in this country and make this country stronger, I urge my colleagues, vote for the Gephardt amendment, and give the next generation a fighting chance.

□ 2130

Mr. ARCHER. Mr. Chairman, to close on the substitute, I yield the balance of my time to the gentleman from Texas [Mr. ARMEY], the majority leader.

Mr. ARMEY. I thank the gentleman for yielding me the time.

Mr. Chairman, we are not passing this tax relief bill tonight because it is in the Contract With America. It is in the Contract With America because it is needed by the American people.

When we wrote the Contract With America, we said we agree with the American people that the Federal Government is too big and takes too much of their hard-earned money. The average family today pays more in taxes than it does in food, shelter, and clothing combined. Most households have a second wage earner not to support the family but to support the government.

Mr. Chairman, starting today, relief is on the way. Mr. Chairman, we have relief for the families, relief for the elderly, relief for the small business entrepreneur, relief for savers, and relief for investors.

Mr. Chairman, there are many provisions in this bill that do not get much attention, but they make real differences in the lives of real people. There is, for example, in this bill an adoption tax credit to make it easier for loving couples to provide homes for precious children.

There is an IRA for education, medical expenses, first-time home purchases and retirement, and it is available to the work-at-home parent as well.

Our bill has a tax credit for families who take care of their elderly parents at home. It has a home office deduction so more people can work at home and spend more time with their children.

This tax relief will benefit all Americans just like the capital gains tax cut will, despite the tired class warfare rhetoric we have heard today.

Let me explain what capital gains means to a working American, as told to me by a machinist on the plant floor in Irving, Texas.

When he showed me his new machine with which he worked, he said, ''Congressman, with this machine I can do better work. I can reach higher levels of tolerance than I've ever done before. I produce a better quality, and we have more satisfied customers. My productivity goes up, and my wages have gone up.''

He said, ''Congressman, this machine cost $1 million. I could work all my life and not buy this machine. And I appreciate those savers who made that money available so that machine can be there and I can have my job.''

When we reduce the cost of capital and reward savers so more investments are made and more people have more and better jobs, the economy will grow, and we will receive more tax revenue. I don't care what the scorekeepers say.

Mr. Chairman, for too long we have been taking too much money away from working Americans and sending it to Washington. It is time tonight that we send more of that money back to working Americans.

It is time to shift decisions away from the hallowed halls of Washington and back to the more hallowed kitchen tables of America. It is time for us to vote for our constituents, vote for the real families in their real homes back in our real America, vote against the Gephardt substitute and vote the Contract tax provision. Then we will come back and we will, in fact, give America a real balanced budget that really gets there without touching Social Security.

Mr. Chairman, I, too, have read Dickens. When we are done doing all of this for the children of America, they, too, like Pip, can have once again in America great expectations.

Mr. REED. Mr. Chairman, I rise in support of the Gephardt education tax deduction legislation and in strong opposition to the ill-conceived Republican tax bill.

I am opposed to the Contract on America tax bill because it is a return to the failed policies of the 1980's, it provides much for the well-to-do and little for the middle-class, and it will massively increase the deficit. It is also interesting to note that this tax cut bill actually would raise taxes on Federal workers.

In the 1980's the American people were told that tax cuts for the wealthy would trickle down to the average American. They didn't. The American people were also told that the deficit would be cut. Well it wasn't. Regrettably, the Republicans are ready to try this experiment again today.

Proponents of the Contract tax bill claim it will help the American middle-class. Well, it won't. Indeed, it is estimated that 51 percent of the benefits from this bill go to the top 12 percent of earners. For the average family most of us would consider middle-class, those making $30,000 to $50,000, would get a tax break of $569, but a family making over $200,000 gets $11,266.

If this isn't unfair enough to make someone question this bill, the repeal of the Alternative Minimum Tax, which President Reagan introduced, further tilts the balance against working Americans. The AMT ensures that large corporations have to pay at least some tax. Prior to President Reagan's introduction of the AMT, large, profitable companies paid no tax and in some cases actually got rebates. For example, AT&T got a $636 million rebate, even though its profits were $24.9 billion. DuPont got a $179 million rebate, but made $3.8 billion. GE didn't get a rebate, it just didn't pay taxes for 3 years between 1982 and 1985. How does this help middle-class families?

Not only does the Contract tax bill do little for the middle-class, it also swells the deficit. Over the first 5 years, the Contract tax bill would cost roughly $200 billion which the majority has paid for by cutting child nutrition programs and tightening the caps on discretionary spending. However, the total cost over 10 years would be almost $700 billion. I believe this is why many in the Senate, like Senator CHAFEE, are opposed to the Contract's tax cuts.

If the Republicans follow through with their pledge to protect Social Security and defense spending while balancing the budget, this tax bill will require 30 percent cuts in all other domestic programs like student loans, transportation, and job training. Cutting the deficit further than we did in 1993 will be a tough job, but the Contract tax bill makes achieving a balanced budget all the more difficult, if not impossible. I would also like to remind my colleagues on the other side of the aisle that they promised to pass specific spending cuts before they passed any tax cuts.

I know many of my Republican colleagues share this concern over the deficit impact of their party's tax bill. Indeed, many of them tried to add a provision to the bill to prohibit tax cuts before the deficit is eliminated. However, their party's leadership was not willing to support that proposal. Instead, the Contract tax bill only requires an annual report on progress in balancing the budget. However, the Democratic alternative requires that all tax cuts would be revoked, if deficit targets are not achieved. This Democratic provision guarantees that deficit reduction comes before any tax cuts.

I support cutting Congressional pensions and bringing them in line with private sector pensions which a provision of this bill will partially do. However, I am disappointed that this initiative was included in this mistaken tax bill solely for political effect.

In response, I wrote and urged Minority Leader GEPHARDT to include Congressional pension reform in the only amendment allowed by the Republicans. Therefore, I am glad that the motion to recommit includes Congressional pension reform, and I plan to support this motion which requires that the Ways and Means Committee fix Congressional pensions. However, I cannot support fixing Congressional pensions as part of this spurious Republican tax bill.

Mr. Chairman, the Contract tax bill would also require the new Governor of Rhode Island to make-up the loss of $280 million in revenues over 10 years. Rhode Island already faces a budget crisis and unfortunately this bill just compounds this problem. But Rhode Island's Governor might be lucky compared with New Jersey's Governor Whitman whose State loses $3 billion over 10 years.

In contrast, the Democratic alternative provides fair, reasonable, and targeted tax benefits aimed at helping middle-class families make a productive investment in their children's education. The Democratic tax fairness bill provides a $10,000 tuition deduction. It expands the number of Americans who are eligible for a tax deductible IRA which will increase our savings rate. The Democratic alternative would create new U.S. savings bond which would help middle-class families save money for their children's education. It would also allow students to deduct the interest on their loans. The Democratic alternative is geared toward education because education is an investment in our future. Education means an increased earning potential, greater global competitiveness, and self-sufficiency.

Of course, there are other proposals that the minority leader's substitute might have included, But, to the alternative bill's credit it maintains deficit reduction as the major focus of Congress.

Mr. Chairman, this debate did not have to be them against us. The Republicans could have worked with Democrats to develop an affordable, fair, bi-partisan tax bill. Indeed, there are many items in the Contract tax bill that I support and wish we could have worked together to pass. First, I am in favor of reducing taxes for families making under $100,000. Second, I have voted for targeted capital gains tax breaks in the past in order to spur productive investments in jobs, not just for Wall Street billionaires. Third, I would like to see a repeal or modification of the change in the amount of Social Security that is subject to taxation. However, I am concerned that Republicans would change this tax by cutting funds for the Medicare trust fund. Fourth, I would be glad to support a bipartisan change in the Social Security earnings limit. Fifth, I believe we need to correct the home office deduction. Finally, I am sure there are a number of tax provisions we could all agree on, but the Republicans decided against a bipartisan approach.

Mr. Chairman, I wish the majority had decided on a bipartisan approach and developed a sensible tax bill that truly helps America's struggling families. Instead, they chose to favor those least in need and cut programs for society's most vulnerable members—children.

Ms. ESHOO. Mr. Chairman, the Gephardt alternative is about opportunity, growth, and the future.

While the Republicans are busy gutting nutrition programs and student loans to finance tax cuts for the rich, we have a different approach.

We believe that education is the seed corn which allows our Nation to harvest a trained work force, scientific breakthroughs, and greater prosperity in the years ahead.

Our substitute provides incentives for middle class Americans to invest in higher education and gives them the opportunity to save sufficiently for this investment.

We know the 21st century will demand higher skills from our people. The only way our country can remain competitive is to invest in our human capital. That means investing in educating our children.

The Republican agenda is not about growth and opportunity, it's about helping the rich at the expense of the middle class. It's about eating our seed corn instead of planting it.

The Gephardt substitute is a common sense cut and invest proposal targeted at the middle class. Hard-working Americans deserve more than being shafted in the fine print of the Contract With America. This package provides them with the much-needed relief they and this country deserve.

The CHAIRMAN. The question is on the amendment in the nature of a substitute offered by the gentleman from Missouri [Mr. GEPHARDT].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. BONIOR. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 119, noes 313, not voting 2, as follows:

[Roll No 292]

AYES—119

Abercrombie
Ackerman
Andrews
Baldacci
Barcia
Bevill
Bonior
Borski
Boucher
Browder
Brown (FL)
Brown (OH)
Clay
Clayton
Clement
Clyburn
Coleman
Collins (IL)
Collins (MI)
Conyers
Cramer
Danner
de la Garza
DeLauro
Dingell
Dixon
Durbin
Edwards
Engel
Eshoo
Evans
Farr
Fattah
Fazio
Filner
Flake
Foglietta
Ford
Frank (MA)
Frost
Gejdenson
Gephardt
Gonzalez
Gordon
Gutierrez
Hastings (FL)
Hefner
Hinchey
Holden
Jackson-Lee
Jefferson
Johnson (SD)
Johnson, E. B.
Johnston
Kennedy (RI)
Kennelly
Lantos
Levin
Lewis (GA)
Lofgren
Lowey
Maloney
Manton
Markey
Martinez
Mascara
Matsui
McHale
Meek
Menendez
Miller (CA)
Mineta
Mink
Moakley
Moran
Nadler
Neal
Oberstar
Obey
Olver
Owens
Pallone
Payne (NJ)
Peterson (MN)
Pomeroy
Rahall
Reed
Richardson
Rose
Rush
Sabo
Sanders
Sawyer
Schroeder
Schumer
Serrano
Slaughter
Spratt
Stokes
Studds
Stupak
Tanner
Thompson
Thornton
Torres
Torricelli
Towns
Traficant
Tucker
Velazquez
Vento
Volkmer
Ward
Waxman
Wise
Woolsey
Wyden
Wynn
Yates

NOES—313

Allard
Archer
Armey
Bachus
Baesler
Baker (CA)
Baker (LA)
Ballenger
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bass
Bateman
Becerra
Beilenson
Bentsen
Bereuter
Berman
Bilbray
Bilirakis
Bishop
Bliley
Blute
Boehlert
Boehner
Bonilla
Bono
Brewster
Brown (CA)
Brownback
Bryant (TN)
Bryant (TX)
Bunn
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Canady
Cardin
Castle
Chabot
Chambliss
Chapman
Chenoweth
Christensen
Chrysler
Clinger
Coble
Coburn
Collins (GA)
Combest
Condit
Cooley
Costello
Cox
Coyne
Crane
Crapo
Cremeans
Cubin
Cunningham
Davis
Deal
DeFazio
DeLay
Dellums
Deutsch
Diaz-Balart
Dickey
Dicks
Doggett
Dooley
Doolittle
Dornan
Doyle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Fields (LA)
Fields (TX)
Flanagan
Foley
Forbes
Fowler
Fox
Franks (CT)
Franks (NJ)
Frelinghuysen
Frisa
Funderburk
Furse
Gallegly
Ganske
Gekas
Geren
Gibbons
Gilchrest
Gillmor
Gilman
Goodlatte
Goodling
Goss
Graham
Green
Greenwood
Gunderson
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hancock
Hansen
Harman
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Heineman
Herger
Hilleary
Hilliard
Hobson
Hoekstra
Hoke
Horn
Hostettler
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inglis
Istook
Jacobs
Johnson (CT)
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kildee
Kim
King
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Largent
Latham
LaTourette
Laughlin
Lazio
Leach
Lewis (CA)
Lewis (KY)
Lightfoot
Lincoln
Linder
Lipinski
Livingston
LoBiondo
Longley
Lucas
Luther
Manzullo
Martini
McCarthy
McCollum
McCrery
McDade
McDermott
McHugh
McInnis
McIntosh
McKeon
McKinney
McNulty
Meehan
Metcalf
Meyers
Mfume
Mica
Miller (FL)
Minge
Molinari
Mollohan
Montgomery
Moorhead
Morella
Murtha
Myers
Myrick
Nethercutt
Neumann
Ney
Norwood
Nussle
Ortiz
Orton
Oxley
Packard
Parker
Pastor
Paxon
Payne (VA)
Peterson (FL)
Petri
Pickett
Pombo
Porter
Portman
Poshard
Pryce
Quillen
Quinn
Radanovich
Ramstad
Rangel
Regula
Riggs
Rivers
Roberts
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Roth
Roukema
Roybal-Allard
Royce
Salmon
Sanford
Saxton
Scarborough
Schaefer
Schiff
Scott
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Sisisky
Skaggs
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Stark
Stearns
Stenholm
Stockman
Stump
Talent
Tate
Tauzin
Taylor (MS)
Taylor (NC)
Tejeda
Thomas
Thornberry
Thurman
Tiahrt
Torkildsen
Upton
Visclosky
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Waters
Watt (NC)
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Williams
Wilson
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOT VOTING—2

Pelosi
Reynolds

☐ 2152

Mr. BISHOP, Ms. MCKINNEY, and Mr. PASTOR changed their vote from ''aye'' to ''no.''

Mr. WYNN changed his vote form ''no'' to ''aye.''

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The CHAIRMAN. The question is on the amendment in the nature of a substitute, as modified, made in order by the rule.

The amendment in the nature of a substitute, as modified, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore [Mr. DREIER] having assumed the chair, Mr. BOEHNER, Chairman of the Committee of the Whole House on the State of the Union, reported that that committee, having had under consideration the bill (H.R. 1215) to amend the Internal Revenue Code of 1986 to strengthen the American family and create jobs, pursuant to House Resolution 128, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. GEPHARDT

Mr. GEPHARDT. Mr. Speaker, I offer a motion to recommit with instructions.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. GEPHARDT. Yes; I am opposed to the bill in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. GEPHARDT moves to recommit the bill H.R. 1215 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendments:

In paragraph (1) of section 4003(a), strike all subparagraphs except subparagraph (C) (and make the necessary conforming grammatical changes).

Strike paragraph (2) of section 4003(a) and insert the following:

(2) DEDUCTIONS.—Section 8334(a) is amended by adding after paragraph (3) (as added by

paragraph (3)(A) of this subsection) the following:

(4) Effective with respect to service after December 31, 1995, in the case of a Member, the employing agency shall (instead of the percentage otherwise applicable under the first sentence of paragraph (1)) deduct and withhold from basic pay of the Member the percentage of basic pay applicable under subsection (c).''.

In paragraph (3) of section 8334(a) of title 5, United States Code (as proposed to be amended by section 4003(a)(3)(A)) insert '', in the case of a Member,'' after ''shall''.

Strike paragraph (4) of section 4003(a).

Strike subsection (b) of section 4003 and insert the following:

(b) FERS.—

(1) IN GENERAL.—Section 8422(a) is amended by adding at the end the following:

''(3) In applying the provisions of paragraph (2)(B) in the case of a Member, '7½' in clause (i) thereof shall, for purposes of applying such provisions with respect to basic pay for service performed—

''(A) in calendar year 1996, be deemed to read '8½';

''(B) in calendar year 1997, be deemed to read '9';

''(C) after calendar year 1997, be deemed to read '9½';

(2) TECHNICAL AMENDMENT.—Paragraph (1) of section 8422(a) is amended by striking ''paragraph (2).'' and inserting ''paragraphs (2) and (3).''.

Strike subsection (c) of section 4003 and redesignate subsection (d) thereof accordingly.

In section 8339a(a) of title 5, United States Code (as proposed to be inserted by section 4004(a)(1)) and section 8461a(a) of such title (as proposed to be inserted by section 4004(b)(1)), strike ''a separation'' and insert ''the separation of a Member''.

In section 4005(a), strike paragraph (2) and conform paragraph (1) accordingly.

In section 4005(b), strike ''MEMBERS.—'' in paragraph (1) and insert ''IN GENERAL.—'', strike paragraph (2), and redesignate paragraph (3) as paragraph (2).

In subparagraph (B) of section 4005(b)(2) (as so redesignated), strike ''and by striking 'Congressional employee,' ''.

In paragraph (3) of section 8415(g) of title 5, United States Code, as proposed to be added by section 4005(b)(2) (as so redesignated), strike ''or Congressional employee'' each place it appears, and strike ''or (c)''.

Strike title V of the bill.

Strike subtitle A of title VI of the bill (other than section 6101).

In section 23 of the Internal Revenue Code of 1986 (as proposed to be added by section 6101)—

(1) insert ''(or, in the case of taxable years beginning before January 1, 2001, the amount specified in subsection (e))'' after ''$500'',

(2) strike ''$200,000'' each place it appears and insert ''$60,000'',

(3) strike ''100 times'' in subsection (b)(2) of such section 23 and insert ''70 times'',

(4) strike ''1996'' and ''1995'' in subsection (d) of such section 23 and insert ''2001'' and ''2000'', respectively, and

(5) redesignate subsection (e) of such section 23 as subsection (f) and insert after subsection (d) the following new subsection:

''(e) PHASE IN OF AMOUNT OF CREDIT.—In the case of taxable years beginning before January 1, 2001, subsection (a) shall be applied by substituting for '$500'—

''(1) '$100' in the case of taxable years beginning after December 31, 1996, and before January 1, 1999, and

''(2) '$300' in the case of taxable years beginning after December 31, 1998.

In section 6101(c) of the bill, strike ''1995'' and insert ''1996''.

Strike subtitles B, C, D, and E of title VI.

After subtitle A of title VI, insert the following new subtitles:

## Subtitle B—Tax Benefit Contingent on Federal Budget

### SEC. 6201. EFFECTIVE DATE OF TAX BENEFIT DELAYED UNTIL FEDERAL BUDGET PROJECTED TO BE IN BALANCE.

(a) IN GENERAL.—Solely for purposes of subtitle A, notwithstanding any provision of subtitle A, and any amendment made by such subtitle, except as otherwise provided in this section—

(1) any reference in such subtitle (or in any amendment made by such subtitle) to 1996 shall be treated as a reference to the calendar year ending in the first successful deficit reduction year, and

(2) any reference in such subtitle (or in any amendment made by such subtitle) to any later calendar year shall be treated as a reference to the calendar year which is the same number of years after such first calendar year as such later year is after 1996.

(b) FIRST SUCCESSFUL DEFICIT REDUCTION YEAR.—For purposes of this section—

(1) IN GENERAL.—The term ''first successful deficit reduction year'' means the first fiscal year beginning after the date of the enactment of this Act with respect to which there is an OMB certification before the beginning of such fiscal year that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

(2) OMB CERTIFICATION.—The term ''OMB certification'' means a written certification made solely for purposes of this subtitle by the Director of the Office of Management and Budget to the President and the Congress.

(c) CERTIFICATIONS BEFORE 1997.—Subsection (a) shall not apply if there is an OMB certification made during 1995 or 1996 that the budget of the United States will be in balance by fiscal year 2002 based upon estimates of enacted legislation, including the amendments made by this Act.

### SEC. 6202. TERMINATION OF TAX BENEFIT IF FEDERAL BUDGET DEFICIT REDUCTION TARGETS ARE NOT MET.

(A) TERMINATION OF CREDIT.—No credit shall be allowed by section 23 of the Internal Revenue Code of 1986 (added by subtitle A) for any taxable year beginning after the calendar year in which the first failed deficit reduction year ends.

(b) FIRST FAILED DEFICIT REDUCTION YEAR.—For purposes of this section, the term ''first failed deficit reduction year'' means the first fiscal year (beginning after the earliest date on which any amendment made by subtitle A takes effect) with respect to which there is an OMB certification during the 3–month period after the close of such fiscal year that the actual deficit in the budget of the United States for such fiscal year was greater than the deficit target for such fiscal year specified in the following table:

| ''In the case of fiscal year: | *The deficit target (in billions) is:* |
|---|---|
| 1996 | $150 |
| 1997 | 125 |
| 1998 | 100 |
| 1999 | 75 |
| 2000 | 50 |
| 2001 | 25 |
| 2002 or thereafter | 0. |

## Subtitle C—Revision of Tax Rules on Expatriation

### SEC. 6301. REVISION OF TAX RULES ON EXPATRIATION.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 877 the following new section:

### ''SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

''(a) GENERAL RULES.—For purposes of this subtitle—

''(1) CITIZENS.—If any United States citizen relinquishes his citizenship during a taxable year, all property held by such citizen at the time immediately before such relinquishment shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for such taxable year.

''(2) CERTAIN RESIDENTS.—If any long-term resident of the United States ceases to be subject to tax as a resident of the United States for any portion of any taxable year, all property held by such resident at the time of such cessation shall be treated as sold at such time for its fair market value and any gain or loss shall be taken into account for the taxable year which includes the date of such cessation.

''(b) EXCLUSION FOR CERTAIN GAIN.—The amount which would (but for this subsection) be includible in the gross income of any taxpayer by reason of subsection (a) shall be reduced (but not below zero) by $600,000.

''(c) PROPERTY TREATED AS HELD.—For purposes of this section, except as otherwise provided by the Secretary, an individual shall be treated as holding—

''(1) all property which would be includible in his gross estate under chapter 11 were such individual to die at the time the property is treated as sold,

''(2) any other interest in a trust which the individual is treated as holding under the rules of section 679(e) (determined by treating such section as applying to foreign and domestic trusts), and

''(3) any other interest in property specified by the Secretary as necessary or appropriate to carry out the purposes of this section.

''(d) EXCEPTIONS.—The following property shall not be treated as sold for purposes of this section:

''(1) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the date the individual relinquishes his citizenship or ceases to be subject to tax as a resident, meet the requirements of section 897(c)(2).

''(2) INTEREST IN CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—Any interest in a qualified retirement plan (as defined in section 4974(d)), other than any interest attributable to contributions which are in excess of any limitation or which violate any condition for tax-favored treatment.

''(B) FOREIGN PENSION PLANS.—

''(i) IN GENERAL.—Under regulations prescribed by the Secretary, interests in foreign pension plans or similar retirement arrangements or programs.

''(ii) LIMITATION.—The value of property which is treated as not sold by reason of this subparagraph shall not exceed $500,000.

''(e) DEFINITIONS.—For purposes of this section—

''(1) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the date the United States Department of State issues to the individual a certificate of loss of nationality or on the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

''(2) LONG-TERM RESIDENT.—

''(A) IN GENERAL.—The term 'long-term resident' means any individual (other than a citizen of the United States) who is a lawful permanent resident of the United States and,

as a result of such status, has been subject to tax as a resident in at least 10 taxable years during the period of 15 taxable years ending with the taxable year during which the sale under subsection (a) is treated as occurring.

''(B) SPECIAL RULE.—For purposes of subparagraph (A), there shall not be taken into account—

''(i) any taxable year during which any prior sale is treated under subsection (a) as occurring, or

''(ii) any taxable year prior to the taxable year referred to in clause (i).

''(f) TERMINATION OF DEFERRALS, ETC.—On the date any property held by an individual is treated as sold under subsection (a)—

''(1) any period deferring recognition of income or gain shall terminate, and

''(2) any extension of time for payment of tax shall cease to apply and the unpaid portion of such tax shall be due and payable.

''(g) ELECTION BY EXPATRIATING RESIDENTS.—Solely for purposes of determining gain under subsection (a)—

''(1) IN GENERAL.—At the election of a resident not a citizen of the United States, property—

''(A) which was held by such resident on the date the individual first became a resident of the United States during the period of long-term residency to which the treatment under subsection (a) relates, and

''(B) which is treated as sold under subsection (a),

shall be treated as having a basis on such date of not less than the fair market value of such property on such date.

''(2) ELECTION.—Such an election shall apply to all property described in paragraph (1), and, once made, shall be irrevocable.

''(h) DEFERRAL OF TAX ON CLOSELY HELD BUSINESS INTERESTS.—The District Director may enter into an agreement with any individual which permits such individual to defer payment for not more than 5 years of any tax imposed by subsection (a) by reason of holding any interest in a closely held business (as defined in section 6166(b)) other than a United States real property interest described in subsection (d)(1).

''(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

''(j) CROSS REFERENCE.—

**''For termination of United States citizenship for tax purposes, see section 7701(a)(47).''**

(b) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) of such Code is amended by adding at the end the following new paragraph:

''(47) TERMINATION OF UNITED STATES CITIZENSHIP.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(1).''

(c) CONFORMING AMENDMENTS.—

(1) Section 877 of such Code is amended by adding at the end of the following new subsection:

''(f) TERMINATION.—This section shall not apply to any individual who is subject to the provisions of section 877A.''

(2) Paragraph (10) of section 7701(b) of such Code is amended by adding at the end the following new sentence: ''This paragraph shall not apply to any individual who is subject to the provisions of section 877A.''

(d) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 of such Code is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) United States citizens who relinquish (within the meaning of section 877A(e)(1) of the Internal Revenue Code of 1986, as added by this section) United States citizenship on or after October 1, 1996, and

(2) Long-term residents (as defined in such section) who cease to be subject to tax as residents of the United States on or after such date.

At the end of the bill insert the following new title:

**TITLE VII—HOUSE BUDGET COMMITTEE TO REPORT NEW DISCRETIONARY SPENDING LIMITS**

**SEC. 701. HOUSE BUDGET COMMITTEE TO REPORT NEW DISCRETIONARY SPENDING LIMITS.**

Not later than 20 days after the date of the enactment of this Act, the Committee on the Budget of the House of Representatives shall report legislation which provides general discretionary spending limits as follows:

(1) With respect to fiscal year 1996: $514,998,000,000 in new budget authority and $547,245,000,000 in outlays.

(2) With respect to fiscal year 1997: $521,281,000,000 in new budget authority and $542,111,000,000 in outlays.

(3) With respect to fiscal year 1998: $528,024,000,000 in new budget authority and $544,594,000,000 in outlays.

(4) With respect to fiscal year 1999: $527,051,000,000 in new budget authority and $543,130,000,000 in outlays.

(5) With respect to fiscal year 2000: $525,091,000,000 in new budget authority and $541,082,000,000 in outlays.

Make necessary conforming changes in title and section designations and in the tables of contents.

Mr. GEPHARDT (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

Mr. ARCHER. Mr. Speaker, we have only just received a copy of this motion to recommit and I think for the benefit of all of the House Members, unless it is extremely lengthy, we should have it read so we will know what we are voting on.

The SPEAKER pro tempore. Does the gentleman object?

Mr. ARCHER. I object, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will read.

The Clerk continued the reading of the motion.

□ 2200

Mr. ARCHER (during the reading). Mr. Speaker, we have now had additional time to read the motion to recommit, and I ask unanimous consent that the motion be considered as read and printed in the RECORD.

The SPEAKER pro tempore (Mr. DREIER). Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ARCHER. Mr. Speaker, let me state we have had only a short time to look at it. We do believe that it is subject to a point of order. However, considering the gentleman's results on his substitute, we think he should have an opportunity on his motion to recommit. We will not urge the point of order.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Missouri [Mr. GEPHARDT] for 5 minutes.

Mr. GEPHARDT. Mr. Speaker, this motion to recommit is very simple.

A lot of Members have said that this tax bill ought to be directed to middle-income families. One of the features of the Republican bill that Members have talked a lot about is the credit for children, a $1,000 credit, $500 credit for children. A family of two would get $1,000.

But as you know, in the Republican bill the families who can enjoy this credit go up to family incomes of $200,000 a year.

Over 100 Members wrote their own leadership and said that they would like to have that amount dropped to $95,000. I agree with them. I think over 100 Republicans get it right, and that is that we ought to give a tax cut to middle-income families and not to families at the top.

If you take all of the provisions of the Republican bill together, half of their tax cuts go to families who earn $100,00 a year or more.

We can remedy that tonight with this motion to recommit. It does four simple things. It substitutes for their bill. First, it says that family tax credit should be limited to families making $95,000 a year or less.

Second, it puts into effect the retirement changes that are in the Republican bill applying to all Federal employees including Members of Congress; in this motion to recommit, we make those changes, lowering the amount of the Federal retirement but only for Members of Congress. We do not in this motion to recommit lower the benefits or raise the taxes on Federal employees or staffs of the Congress.

Third, the motion to recommit closes this egregious loophole allowing people to renounce their American citizenship in order to avoid paying taxes. Our friends on the other side may say that it is a human right to be able to leave America and not pay your taxes. I say it is America's right that everybody ought to pay their taxes to this country.

And finally, we have included the language of the so-called Browder amendment that says none of this tax cut will go into effect until we are on the road to a balanced budget, and we will not keep this tax cut for people unless we stay on the road to a balanced budget.

Mr. BROWDER. Mr. Speaker, will the gentleman yield?

Mr. GEPHARDT. I am happy to yield to the gentleman from Alabama.

Mr. BROWDER. Mr. Minority Leader, let me clarify this, please. Are you saying that this has hard numbers for deficit reduction over the next 7 years?

Mr. WISE. Regular order, Mr. Speaker; regular order, Mr. Speaker.

The SPEAKER pro tempore. The House will be in order. The gentleman from Missouri controls the time.

Mr. GEPHARDT. I yield to the gentleman from Alabama.

Mr. BROWDER. For a point of clarification, do you tell me that this motion to recommit includes the hard numbers that were in the Browder-Castle-Orton-Upton-Martini amendment for deficit reduction?

Mr. GEPHARDT. That is correct. As you know, in the Republican bill it got changed so that you did not look back every year to make sure you are on the road to a balanced budget. That is what you had in your amendment, and that is what is in this amendment, and that is a good amendment.

Mr. BROWDER. Thank you, Mr. Leader.

Mr. GEPHARDT. Let me sum up and say that this is a choice that we have to make tonight.

Are we willing to give half of the tax cut to families who earn $100,000 a year or more, or are we willing to focus this tax cut at the hard-working, hard-pressed, squeezed middle-income people of this country? I know what my vote is for, and I hope your vote will be for the middle-income people of this country.

Vote for this motion to recommit.

The SPEAKER pro tempore. The time of the gentleman from Missouri [Mr. GEPHARDT] has expired.

The Chair recognizes the gentleman from Texas [Mr. ARCHER] for 5 minutes in opposition to the motion to recommit.

Mr. ARCHER. Mr. Speaker, I yield my 5 minutes to the Speaker of the House of Representatives, the gentleman from Georgia [Mr. GINGRICH].

Mr. GINGRICH. Mr. Speaker, let me say first of all that on this 91st day, I want to thank everyone on both sides of the aisle. This has been an immense amount of work. And despite the occasional rancor directed at me personally, I think frankly everything has gone about as well as we could have hoped.

And I think that the transfer of power which is one of the great acts of majesty in our system, the willingness to work together, getting through a lot of tough decisions, a lot of tough things, that the American people can be proud of the U.S. House for what we have done together in 91 days, and I thank every Member on both sides for the spirit, sometimes deeply disagreeing, sometimes voting unanimously, but working together very long hours for a very long time.

I find, standing here tonight, a truly historic and at the same time a truly personal experience.

Two years ago we were debating a tax increase, and all of our friends on the other side of the aisle were saying, ''It will be OK,'' and by a one-vote margin, they passed it. But the country said it was not OK to raise taxes, that Government was too big, it spends too much, and it needs to be brought under control.

We were given an opportunity to try to be helpful. On the opening day, we spent 14 hours together, and we passed nine reforms. We applied to the Congress every law which applies to the rest of the country. We cut the congressional committee staffs by 30 percent, and we came back later and cut the congressional committee budgets by 30 percent, and we have begun a process of changing the Congress.

We committed ourselves to a contract, and to be fair, an awful lot of Democrats helped us on key votes. I stood on this floor and looked up when litigation reform for strike law firms passed by 330 to 99, and I was proud of that bipartisan majority. I stood on this floor and looked in amazement as 300 Members voted for a balanced budget amendment to the Constitution, a strong bipartisan commitment.

We have had votes on nine items. We passed eight. We lost on term limits, but it was the first time in the history of the Congress that it had been brought to a vote, and I was proud that this institution debated it honestly and passionately with Members on both sides speaking for their conscience, and we had a recorded vote.

And now we come, after great work, to a welfare reform bill that emphasizes work and family. All of the things we have done, and now we come to tonight, and let me say first, the motion to recommit is 16 pages that very few Members understand, that has not been scored, that is an appropriate effort for a minority to try to score a coup, but is not serious legislation. I urge a ''no'' vote.

And on final passage, what is your choice, a $500 tax credit that says about children we would rather parents have the money than bureaucrats? And an adoption tax credit to help children get into a loving family, a repeal of the tax increase on Social Security so senior citizens can keep their money, an increase in the amount that senior citizens can earn up to $39,000 a year without being penalized, an American dream savings account that allows every family to save, to buy a house, for an illness, to take care of education, for retirement, individual retirement accounts extended to spouses so if you stay home to raise your children you are not deprived of the right to save money, tax credit for long-term care, and a capital gains tax cut and indexing to create jobs.

This is a good bill. It is paid for. It helps create jobs. It strengthens families. It does what we ought to be doing. It is the last step in the Contract.

I thank all of my friends on both sides of the aisle who have worked with us to get this far. I urge every Member to look at this and ask yourself, in your constituents' lives, will not a little less money for Government and a little more money for those families be a good thing? And is not that what this Congress was elected to do?

I urge a ''no'' vote on recommittal and a ''yes'' vote on final passage.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. GEPHARDT. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 168, noes 265, not voting 1, as follows:

[Roll No. 293]

AYES—168

| | | |
|---|---|---|
| Abercrombie | Ganske | Olver |
| Ackerman | Gejdenson | Ortiz |
| Andrews | Gephardt | Owens |
| Baldacci | Gonzalez | Pallone |
| Barcia | Gordon | Pastor |
| Barrett (WI) | Green | Payne (NJ) |
| Beilenson | Gutierrez | Pelosi |
| Bentsen | Harman | Peterson (MN) |
| Berman | Hastings (FL) | Pomeroy |
| Bevill | Hayes | Poshard |
| Bishop | Hefner | Rahall |
| Bonior | Hilliard | Rangel |
| Borski | Hinchey | Reed |
| Boucher | Holden | Richardson |
| Browder | Jackson-Lee | Rivers |
| Brown (FL) | Jacobs | Rose |
| Brown (OH) | Jefferson | Roybal-Allard |
| Bryant (TX) | Johnson (SD) | Rush |
| Chapman | Johnson, E. B. | Sabo |
| Clay | Johnston | Sanders |
| Clayton | Kennedy (MA) | Sawyer |
| Clement | Kennedy (RI) | Schroeder |
| Clyburn | Kennelly | Schumer |
| Coleman | Kildee | Scott |
| Collins (IL) | LaFalce | Serrano |
| Collins (MI) | Lantos | Skelton |
| Condit | Levin | Slaughter |
| Conyers | Lewis (GA) | Spratt |
| Costello | Lincoln | Stokes |
| Cramer | Lofgren | Studds |
| Danner | Lowey | Stupak |
| de la Garza | Luther | Tanner |
| DeLauro | Maloney | Taylor (MS) |
| Dellums | Manton | Tejeda |
| Deutsch | Markey | Thompson |
| Dicks | Martinez | Thornton |
| Dingell | Mascara | Thurman |
| Dixon | Matsui | Torres |
| Doggett | McCarthy | Torricelli |
| Doyle | McDermott | Towns |
| Durbin | McHale | Traficant |
| Edwards | McKinney | Tucker |
| Engel | Meehan | Velazquez |
| Eshoo | Meek | Vento |
| Evans | Menendez | Visclosky |
| Farr | Mfume | Volkmer |
| Fattah | Miller (CA) | Ward |
| Fazio | Mineta | Waters |
| Fields (LA) | Minge | Watt (NC) |
| Filner | Mink | Waxman |
| Flake | Moakley | Williams |
| Foglietta | Moran | Wise |
| Ford | Nadler | Woolsey |
| Frank (MA) | Neal | Wyden |
| Frost | Oberstar | Wynn |
| Furse | Obey | Yates |

NOES—265

| | | |
|---|---|---|
| Allard | Becerra | Bunn |
| Archer | Bereuter | Bunning |
| Armey | Bilbray | Burr |
| Bachus | Bilirakis | Burton |
| Baesler | Bliley | Buyer |
| Baker (CA) | Blute | Callahan |
| Baker (LA) | Boehlert | Calvert |
| Ballenger | Boehner | Camp |
| Barr | Bonilla | Canady |
| Barrett (NE) | Bono | Cardin |
| Bartlett | Brewster | Castle |
| Barton | Brown (CA) | Chabot |
| Bass | Brownback | Chambliss |
| Bateman | Bryant (TN) | Chenoweth |

Christensen
Chrysler
Clinger
Coble
Coburn
Collins (GA)
Combest
Cooley
Cox
Coyne
Crane
Crapo
Cremeans
Cubin
Cunningham
Davis
Deal
DeFazio
DeLay
Diaz-Balart
Dickey
Dooley
Doolittle
Dornan
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Fields (TX)
Flanagan
Foley
Forbes
Fowler
Fox
Franks (CT)
Franks (NJ)
Frelinghuysen
Frisa
Funderburk
Gallegly
Gekas
Geren
Gibbons
Gilchrest
Gillmor
Gilman
Goodlatte
Goodling
Goss
Graham
Greenwood
Gunderson
Gutknecht
Hall (OH)
Hall (TX)
Hamilton
Hancock
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Heineman
Herger
Hilleary
Hobson
Hoekstra
Hoke
Horn
Hostettler
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inglis
Istook
Johnson (CT)
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kim
King
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Laughlin
Lazio
Leach
Lewis (CA)
Lewis (KY)
Lightfoot
Linder
Lipinski
Livingston
LoBiondo
Longley
Lucas
Manzullo
Martini
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
McNulty
Metcalf
Meyers
Mica
Miller (FL)
Molinari
Mollohan
Montgomery
Moorhead
Morella
Murtha
Myers
Myrick
Nethercutt
Neumann
Ney
Norwood
Nussle
Orton
Oxley
Packard
Parker
Paxon
Payne (VA)
Peterson (FL)
Petri
Pickett
Pombo
Porter
Portman
Pryce
Quillen
Quinn
Radanovich
Ramstad
Regula
Riggs
Roberts
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Roth
Roukema
Royce
Salmon
Sanford
Saxton
Scarborough
Schaefer
Schiff
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Sisisky
Skaggs
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Souder
Spence
Stark
Stearns
Stenholm
Stockman
Stump
Talent
Tate
Tauzin
Taylor (NC)
Thomas
Thornberry
Tiahrt
Torkildsen
Upton
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOT VOTING—1

Reynolds

□ 2231

Mr. GIBBONS and Mr. STARK changed their vote from ''aye'' to ''no.''

So the motion to recommit was rejected.

The results of the vote was announced as above recorded.

PARLIAMENTARY INQUIRIES

Mr. MORAN. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. MORAN. Mr. Speaker, in my opinion there are two Federal income tax increases in this bill before us. There is an indirect tax increase on Federal employees of $4,525 over the next 5 years through a 313 percent increase in their retirement contribution, and there is a second more direct income tax rate increase in this bill.

Mr. Speaker, my parliamentary inquiry is directed at the clear, unequivocal Federal income tax rate increase. Does clause 5(c) of rule XXI that was passed in the first day of this session require a three-fifths majority for any increase in the Federal income tax rate?

The SPEAKER pro tempore. It is the opinion of the Chair that it does not apply in this case.

Ms. MORAN. Mr. Speaker, that was not the question.

The SPEAKER pro tempore. The rule requires a three-fifths vote if the bill contains a Federal income tax rate increase, and this bill does not.

Mr. MORAN. Mr. Speaker, further parliamentary inquiry. It would appear to me then that clause 5(c) of rule XXI is meaningless, since we have never changed any income tax rate, increased it or decreased it, without first striking the prevailing tax rate and inserting a new tax rate. I understand that the ruling of the Chair is based upon a conclusion by the Joint Tax Commission that the provision we passed in the first day of this session does not apply to effective tax rate changes, and that in fact the change from the capital gains rate of 28 percent to 39.6 percent does not apply because we first struck the 28 percent before imposing the 39.6 percent as it applies to capital gains.

Mr. Speaker, that is the way we have done every tax rate change. You first have to strike the existing change and then impose a new one. That means that subsequently, if this ruling prevails, that this body is able to increase tax rates anytime it wants simply by striking the existing rate, putting in a new rate, or, if it chooses, to say that the taxes will now apply to 110 percent of income without changing the tax rates. Mr. Speaker, this is a very dangerous precedent.

Mr. Speaker, in light of the fact I have a letter from the Treasury Department that says this is a Federal tax rate increase, and I have a letter from the Small business Committee identifying the taxpayers and small businesses that will have to pay the 36 percent increase in the effective income tax rate that applies to investors in small businesses, I would ask the Speaker what clause 5(c) of rule XXI actually means if it does not apply to this income tax rate increase? Is the Speaker suggesting that any time there is an effective tax rate change, that what we passed does not apply? When would it ever apply, if it does not apply in this instance, Mr. Speaker?

The Speaker pro tempore. The Chair is not in a position to answer hypothetical questions. It has been the determination of the Chair that this measure does not include a Federal income tax rate increase.

The Chair would like to inquire if the gentleman from Texas [Mr. ARCHER], wishes to be heard on the point of order?

Mr. ARCHER. Mr. Speaker, I do.

Mr. WALKER. Mr. Speaker, has a point of order been made?

Mr. Speaker, I have a parliamentary inquiry. I do not believe there is a point of order before the House.

The SPEAKER pro tempore. The gentleman from Virginia has stated a point of order.

Mr. MORAN. Mr. Speaker, I made a parliamentary inquiry, but I would state a point of order that any vote on this bill should require a three-fifths vote. If it does not require that, then I would appeal the ruling of the Chair.

The SPEAKER pro tempore. Does the gentleman from Texas [Mr. ARCHER] desire to be heard on the point of order?

Mr. ARCHER. Mr. Speaker, I understood the gentleman from Virginia made a point of order and the Chair ruled against the point of order. Am I correct?

The SPEAKER pro tempore. The chair will continue to listen to an argument that is provided by the chairman of the Committee on Ways and Means before finally ruling.

Mr. ARCHER. Mr. Speaker, I would be pleased to try to help the Chair to support his ruling.

First, as a result of the enactment of the 50 percent exclusion applicable generally, taxpayers, other than those described in the following two paragraphs, would have a tax rate lower than 28 percent. Thus, the 28 percent maximum rate of section 1(h) of current law would not cause a reduction in tax liability as compared with that under current law; that is, as relates to current law liability, the provision would be inoperative.

No. 2, the 50 percent exclusion would not apply to collectibles. Under H.R. 1215, for this group of taxpayers the maximum rate of 28 percent is retained in H.R. 1215.

No. 3, a question has been raised as to the potential application of the 28 percent maximum rate under current law for taxpayers currently qualifying for the special rules of existing section of the law, 1202. In light of the fact that this provision would be repealed by 1215, the maximum rate of 28 percent would have no further application. Moreover, it should be noted that the special rules in section 1202 are an exclusion provision rather than a rate provision.

Further, it should be noted that concerns as to whether repeal of current law, section 1202, in conjunction with the repeal of current law, section 1(h), constitutes a rate increase, are focused on the effective rate impact rather than the occurrence of any income tax rate increase.

The House rule in question is not intended to apply to effective rate changes.

The SPEAKER pro tempore. Does the gentleman from Virginia [Mr. MORAN] wish to be heard further on his point of order?

Mr. MORAN. Mr. Speaker, I would like to underscore the last comment that was made by the distinguished chairman of the Committee on Ways and Means that the House rule in question is not intended to apply to effective tax rate changes. There was never any reference to effective rate changes. In fact, it was any income tax rate increase. I read the debate again that occurred on the first day of this session. We are now making a distinction between effective rate changes apparently and statutory rate changes, although both apply here. I do have a letter from the Treasury Department explaining that this is a tax rate increase.

How it occurred, Mr. Speaker, is in the 1993 Omnibus Budget Reconciliation Act we did pass a capital gains tax rate reduction. What it said is that when people invest in small capitalized firms for five years, their capital gains tax is reduced by 50 percent. What this bill did was to strike the capital gains rate of 28 percent, raise it to 39.6 percent, and then apply the 50 percent preference for capital gains investment. What that means is that the effective capital gains rate is 19.8 percent if this bill were to pass, whereas today there are investors getting a 14 percent tax rate on capital gains investments.

Now, this is not an obscure provision. It is a $725 million capital gains provision that was passed in the 1993 Budget Reconciliation Act. What we have done is for some investors who have invested hundreds of millions of dollars in small capitalized firms, is increased their tax rate from 14 percent to 19.8 percent. That is an increase in the income tax rate. It is both a statutory increase, in that we remove the 28 percent level and put in 39.6 percent. It is also an effective rate increase because it changes from 14 percent to 19.8 percent. That is what the letter from both the Treasury Department and the Small Business Committee underscores, that in fact investors would be paying a higher capital gains rate.

Mr. THOMAS. Mr. Speaker, the gentleman did not mean to say the Small Business Committee. I believe he meant to say the Small Business Administration.

Mr. MORAN. The Small Business Administration. I thank the gentleman from California for clarifying that.

The SPEAKER pro tempore. Does the gentleman from Maryland [Mr. CARDIN] wish to be recognized on the point of order?

Mr. CARDIN. Mr. Speaker, I do.

Mr. Speaker, this is a very important ruling. It is the first one that the Chair has had to make on the new rule XXI that requires an extraordinary vote on a tax rate increase. The language, as I understand it, is when the Federal tax rate increase applies we need a three-fifths vote.

If I understand the potential ruling of the Chair, if the Chair rules that this bill does not raise a rate and therefore does not need an extraordinary vote, what the Chair is saying is that legislation which subjects a larger percentage of a taxpayer's income to an existing tax rate would not be a tax rate increase under the provisions of rule XXI. That would mean that we could effectively raise tax rates in this country by just subjecting a larger amount of a person's income to the tax rate, thereby accomplishing the effect of a tax rate increase under the potential ruling of the Chair without raising the rate.

I just really want to point that out to the Chair before he makes his ruling, because effectively if he rules against the gentleman from Virginia [Mr. MORAN] rule XXI is meaningless.

□ 2245

PARLIAMENTARY INQUIRY

Mr. MFUME. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore (Mr. DREIER). The gentleman will state his inquiry.

Mr. MFUME. Mr. Speaker, we have a ruling from the joint committee, an explanation. We have two explanations, one from Treasury, one from Small Business, both of which are very detailed in terms of their justification of their position.

This Member is at a loss with respect to the ruling of the Chair and questions whether or not the Chair's ruling, pending ruling, is discretionary or is it based in fact. And if it is based in fact, could the Chair kindly advise the Member how the Chair reached that and to suggest also that it was not discretionary?

The SPEAKER pro tempore. The Chair is prepared to rule on this.

Mr. SKAGGS. Mr. Speaker, I would like to be heard on the point of order.

The SPEAKER pro tempore. The gentleman is recognized.

Mr. SKAGGS. Mr. Speaker, one further point I think needs to be made on this.

During the debate on opening day, it was touted that this rules change was remedial in nature. It was to be viewed expansively as remedying a propensity of the House that needed to be curtailed. A narrow reading such as is advocated by the chairman of the Committee on Ways and Means a few minutes ago flies in the face of all of the advocacy, the legislative history, if you will, of this rules change, which is the only basis that the House has and that the Chair has for informing a ruling.

To take a provision that was intended to be remedial, and therefore viewed expansively, and interpret it narrowly belies the absurdity of the rules change to begin with.

The SPEAKER pro tempore. Does the gentleman from Washington [Mr. MCDERMOTT] wish to be heard on the point of order?

Mr. MCDERMOTT. Yes, Mr. Speaker.

Mr. Speaker, if I understand the ruling the Chair is about to make, you are saying for those who do not understand arcane tax law, if we raise taxes on people but we do it in a sneaky, kind of back-door way of doing it, that, Mr. Speaker, if we do it in a legislatively, carefully crafted way, we can get away with it. If we do it straight out and say to small business, your taxes go from 14 percent to 19 percent just like that, that would require a 60-percent vote. But if we can find some way parliamentarily to swing around it, whatever the effect on people is does not make any difference.

Is that what the Chair is saying?

The SPEAKER pro tempore. The gentleman from Georgia [Mr. LINDER] is recognized on the point of order.

Mr. LINDER. Mr. Speaker, this does not seem all that complicated. It does not change any rates of taxation of capital gains. It excludes 50 percent of the gain. Therefore, you are taxed at the 39.6-percent tax rate. Fifty percent of any gain would be excluded, giving an effective rate of 19.8 percent, a lower effective rate.

If you happen to be taxed at a 35-percent tax rate, 50 percent of the gain would be excluded, giving you a 17.5-percent tax. It lowers the effective rate in every instance by excluding half of the gain from any taxation at all.

The SPEAKER pro tempore. Does the gentleman from Michigan [Mr. LEVIN] wish to be heard on the point of order?

Mr. LEVIN. Yes, Mr. Speaker.

I just want to say to the gentleman from Georgia, the reason the gentleman from Virginia [Mr. MORAN] is right is because you are simply wrong.

The SPEAKER pro tempore. The Chair is prepared to rule.

PARLIAMENTARY INQUIRY

Mr. OBEY. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. OBEY. Mr. Speaker, I really do not wish to draw this out. I would like to go home as much as anybody else.

But in light of the statement made by the previous gentleman in the well in which he asserted in his advice to the Chair that this was a simple question because tax rates were not being raised, we were simply expanding the percentage of income being taxed at that rate, does that mean——

Mr. LINDER. If the gentleman will yield, I said precisely the opposite. I said we are reducing the amount of income that is going to be taxed or the percentage of income by excluding half the gain.

Mr. OBEY. Mr. Speaker, may I finish my parliamentary inquiry?

The SPEAKER pro tempore. The gentleman is recognized.

Mr. OBEY. Does that rationale mean that when it was suggested that there was a tax increase on Social Security recipients last year simply because the percentage of income that was being

taxed was being broadened, does that mean that the Republican Party is now changing their opinion that that was a tax increase? Are they not taking it back?

The SPEAKER pro tempore. The Chair is prepared to rule.

In deference to the specialized expertise that has been provided, the Chair rules that this bill does not include a Federal income tax rate increase.

Mr. MFUME. Mr. Speaker, is the ruling discretionary? Mr. Speaker, is it a discretionary ruling?

Mr. MORAN. Mr. Speaker, I respectfully appeal the ruling of the Chair.

MOTION TO TABLE OFFERED BY MR. ARCHER

Mr. ARCHER. Mr. Speaker, I offer a motion.

The SPEAKER pro tempore. The Clerk will report the motion.

The Clerk read as follows:

Mr. ARCHER moves to lay the appeal on the table.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas [Mr. ARCHER] to lay on the table the appeal of the ruling of the Chair.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. MFUME. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 228, noes 204, not voting 3, as follows:

[Roll No. 294]

AYES—228

Allard
Archer
Armey
Bachus
Baker (CA)
Baker (LA)
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bliley
Blute
Boehlert
Boehner
Bonilla
Bono
Brownback
Bryant (TN)
Bunn
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Canady
Castle
Chabot
Chambliss
Chenoweth
Christensen
Chrysler
Clinger
Coble
Coburn
Collins (GA)
Combest
Cooley
Cox
Crane
Crapo
Cremeans
Cubin
Cunningham
Davis
DeLay
Diaz-Balart
Dickey
Doolittle
Dornan
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Fields (TX)
Flanagan
Foley
Forbes
Fowler
Fox
Franks (CT)
Frelinghuysen
Frisa
Funderburk
Gallegly
Ganske
Gekas
Gilchrest
Gillmor
Gilman
Gingrich
Goodlatte
Goodling
Goss
Graham
Greenwood
Gunderson
Gutknecht
Hancock
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Heineman
Herger
Hilleary
Hobson
Hoekstra
Hoke
Horn
Hostettler
Houghton
Hunter
Hutchinson
Hyde
Inglis
Istook
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
King
Kingston
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Lightfoot
Linder
Livingston
LoBiondo
Longley
Lucas
Manzullo
Martini
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Meyers
Mica
Miller (FL)
Molinari
Moorhead
Morella
Myers
Myrick
Nethercutt
Neumann
Ney
Norwood
Nussle
Oxley
Packard
Paxon
Petri
Pombo
Porter
Portman
Pryce
Quillen
Quinn
Radanovich
Ramstad
Regula
Riggs
Roberts
Rogers
Rohrabacher
Ros-Lehtinen
Roth
Roukema
Royce
Salmon
Sanford
Saxton
Scarborough
Schaefer
Schiff
Seastrand
Sensenbrenner
Shadegg
Shaw
Shays
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Solomon
Spence
Stearns
Stockman
Stump
Talent
Tate
Taylor (NC)
Thomas
Thornberry
Tiahrt
Torkildsen
Upton
Vucanovich
Waldholtz
Walker
Walsh
Wamp
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)
Zeliff
Zimmer

NOES—204

Abercrombie
Ackerman
Andrews
Baesler
Baldacci
Barcia
Barrett (WI)
Becerra
Beilenson
Bentsen
Berman
Bevill
Bishop
Bonior
Borski
Boucher
Brewster
Browder
Brown (CA)
Brown (FL)
Brown (OH)
Bryant (TX)
Cardin
Chapman
Clay
Clayton
Clement
Clyburn
Coleman
Collins (IL)
Collins (MI)
Condit
Conyers
Costello
Coyne
Cramer
Danner
de la Garza
Deal
DeFazio
DeLauro
Dellums
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Durbin
Edwards
Engel
Eshoo
Evans
Farr
Fattah
Fazio
Fields (LA)
Filner
Flake
Foglietta
Ford
Frank (MA)
Frost
Furse
Gejdenson
Gephardt
Geren
Gibbons
Gonzalez
Gordon
Green
Gutierrez
Hall (OH)
Hall (TX)
Hamilton
Harman
Hastings (FL)
Hayes
Hefner
Hilliard
Hinchey
Holden
Hoyer
Jackson-Lee
Jacobs
Jefferson
Johnson (SD)
Johnson, E.B.
Johnston
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kleczka
Klink
LaFalce
Lantos
Laughlin
Levin
Lewis (GA)
Lincoln
Lipinski
Lofgren
Lowey
Luther
Maloney
Manton
Markey
Martinez
Mascara
Matsui
McCarthy
McDermott
McHale
McKinney
McNulty
Meehan
Meek
Menendez
Mfume
Miller (CA)
Mineta
Minge
Mink
Moakley
Mollohan
Montgomery
Moran
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Orton
Owens
Pallone
Parker
Pastor
Payne (NJ)
Payne (VA)
Pelosi
Peterson (FL)
Peterson (MN)
Pickett
Pomeroy
Poshard
Rahall
Rangel
Reed
Richardson
Rivers
Roemer
Rose
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schroeder
Schumer
Scott
Serrano
Sisisky
Skaggs
Skelton
Slaughter
Spratt
Stark
Stenholm
Stokes
Studds
Stupak
Tanner
Tauzin
Taylor (MS)
Tejeda
Thompson
Thornton
Thurman
Torres
Torricelli
Towns
Traficant
Tucker
Velazquez
Vento
Visclosky
Volkmer
Ward
Waters
Watt (NC)
Waxman
Williams
Wilson
Wise
Woolsey
Wyden
Wynn
Yates

NOT VOTING—3

Franks (NJ)
Reynolds
Souder

□ 2307

So the motion to lay on the table the appeal of the ruling of the Chair was agreed to.

The result of the vote was announced as above recorded.

## PARLIAMENTARY INQUIRIES

Mr. HEFNER. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from North Carolina will state his parliamentary inquiry.

Mr. HEFNER. My parliamentary inquiry is I did not ever get the ruling of the Parliamentarian, and my parliamentary inquiry is in the future if we have the ruling of the Chair questioned or challenged, is it going to become the practice for someone to move to table the motion and we will never have a ruling on the ruling of the Chair as it applies to House rules?

The SPEAKER pro tempore (Mr. DREIER). The Chair will respond to the gentleman by saying first that it was not the Parliamentarian's ruling, and the Chair ruled and the House just addressed the issue of that ruling.

Mr. HEFNER. Further parliamentary inquiry, and I feel this is justifiable.

The SPEAKER pro tempore. The gentleman from North Carolina is recognized.

Mr. HEFNER. If there is no mechanism, if there is going to be no mechanism to challenge a ruling of the Chair, if it can be superceded by a motion to table, then the majority is going to rule, there will be no chance to challenge the ruling of the Chair.

□ 2310

The SPEAKER pro tempore (Mr. DREIER). The Chair wishes to first respond to the parliamentary inquiry of the gentleman from North Carolina by stating that the House has just ruled by a vote.

The gentleman from California is recognized for a parliamentary inquiry.

Mr. THOMAS. Mr. Chairman, under the rules of the House, are there procedural motions available to the body, and if moved, voted on, and is the motion to table a procedural motion utilized by the former majority over and over and over again?

(The letters referred to by Mr. MORAN follow:)

U.S. SMALL BUSINESS ADMINISTRATION,
*Washington, DC, April 3, 1995.*

Hon. ZOE LOFGREN,
*House of Representatives,*
*Washington, DC.*

DEAR REPRESENTATIVE: Given my statutory responsibility (15 USC §634b(4)) to determine the impact of the taxes on small businesses and advise Congress, I have been asked to analyze the impact on small businesses of the ''Contract With America Tax Reform Act of 1995'' which is scheduled to come before the House of Representatives this week for consideration.