

States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

#### EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-712. A communication from the Secretary of Agriculture, transmitting a draft of proposed legislation to recover costs of carrying out Federal marketing agreements and orders; to the Committee on Agriculture, Nutrition, and Forestry.

EC-713. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number 93-2; to the Committee on Appropriations.

EC-714. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number 94-05; to the Committee on Appropriations.

#### EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mrs. KASSEBAUM, from the Committee on Labor and Human Resources:

Harriet M. Zimmerman, of Florida, to be a member of the Board of Directors of the United States Institute of Peace for a term expiring January 19, 1999, vice William R. Kintner, term expired.

The above nomination was reported with the recommendation that she be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. DOMENICI (for himself, Mr. NUNN, and Mr. KERREY):

S. 722. A bill to amend the Internal Revenue Code of 1986 to restructure and replace the income tax system of the United States to meet national priorities, and for other purposes; to the Committee on Finance.

By Mr. BAUCUS:

S. 723. A bill entitled the "Badger-Two Medicine Protection Act"; to the Committee on Energy and Natural Resources.

By Mr. KOHL (for himself and Mr. SPECTER):

S. 724. A bill to authorize the Administrator of the Office of Juvenile Justice and Delinquency Prevention Programs to make grants to States and units of local government to assist in providing secure facilities for violent and chronic juvenile offenders, and for other purposes; to the Committee on the Judiciary.

By Mr. ROCKEFELLER (for himself, Mr. DASCHLE, Mr. AKAKA, Mr. DORGAN, and Mr. WELLSTONE):

S. 725. A bill to amend title 38, United States Code, to extend certain authorities relating to the provision of community-based health care by the Department of Veterans Affairs, and for other purposes; to the Committee on Veterans' Affairs.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DOMENICI (for himself, Mr. NUNN, and Mr. KERREY):

S. 722. A bill to amend the Internal Revenue Code of 1986 to restructure and replace the income tax system of the United States to meet national priorities, and for other purposes; to the Committee on Finance.

##### USA TAX ACT

Mr. DOMENICI. Mr. President, today for Senator NUNN and myself, this is a very exciting day because—after more than 2 years of study, research, and tremendous help from a lot of people and a lot of experts—we are today going to introduce a totally new income tax law for this land, both as to individuals and corporations.

Today we are going to introduce a totally new Tax Code. We will explain it to the Senate and the American people for the next 40 or 50 minutes. And it is our hope, since we have gone to extreme lengths to develop a totally new tax code in all respects—and indeed we will today introduce that totally new tax code—which will replace and get rid of the current income tax system in its totality both as to corporations, businesses and individuals in the United States.

We are hopeful that this document will begin a serious debate and that this approach, which we will explain today, will find its rightful place very high on anyone's list as they look at the needs of the United States for the future.

Before I go to my prepared remarks, let me suggest that for the Senator from New Mexico these are very exciting times because I believe the vision that most of us have is for a better America, for a better America for our children, a more competitive America with more good solid high-paying jobs for which we can train and educate our people and provide them with an opportunity for a satisfactory and happy life from the standpoint of material well-being.

The two things that haunt us in our efforts as leaders who say we are going to do our best to provide that for America are the enormous amount of debt that we incur in our Federal budget processes because we refuse to find a way to pay for the programs and actions of the Federal Government rather than to borrow for them. Thus we gobble up huge amounts of savings of U.S. citizens and corporate savings just to pay that debt, thus minimizing our future growth potential and increasing interest rates dramatically, and in a very real way diminish the productivity of our country.

The second thing is that we have a U.S. Tax Code that instead of promot-

ing and prompting savings and investment is actually a disincentive to both. Instead of saying to the American people and American corporations we want you to invest more, we want you to save more, we have a Tax Code that says just the opposite. If you do either of those things, you are penalized under the American Tax Code; that is, the savings or investment. If you spend your money, in a sense you only pay taxes on that money which you spend once.

We very much hope in our new bill to create a level playing field from the date that it is adopted by the U.S. Congress forward, a level field in that people have a real choice as between investing and saving some of their disposable income and spending it. And as to American corporations, we hope we will greatly simplify the process by which they pay taxes to their country and at the same time dramatically encourage capital investment as compared with a Tax Code today which penalizes that.

So in order to get where we want to go, you have to know how to get there. This is common sense. The advice for a traveler seeking a destination and for a nation that is in quest of its destiny, and when leaders talk about their vision for the future, they invariably speak of creating a higher standard of living, better-paying jobs, and stronger economic growth. We do not do that or say that just because those are nice sounding words, but because they are indeed at the heart and soul of what America ought to offer to its people when we say this is a land of opportunity. We know where we want to go. But how do we get there?

The challenge facing the American economy, and those who work, those who invest, those who start companies, and those who continue companies in a prosperous way, the challenge facing them and the best way to improve the Nation's prosperity, in almost everyone's opinion, is to increase savings and investment.

When Americans save, they are really investing in America, and our Tax Code should reflect that national priority. Our major trading partners encourage in their tax codes savings, and so should we. There are many causes of inadequate private savings and investment, and I have already indicated that our inability to develop a budget year by year and over decades, whereby we pay for what we give our citizens instead of borrowing to give to them, is one very serious way that we do not save, or use our savings to pay for our profligacy.

The other very serious problem and perhaps most important is the disincentive in our Nation's tax policies. The Federal Income Tax Code is un-American in spirit and wrong in principle because it levies a double tax on dividends and taxes savings. It discourages risk taking, entrepreneurship, and

the creation of jobs. It is hostile to savings and investment and tilted toward consumption. It adds one-third to the cost of capital. It favors debt over equity financing. It encourages corporate management to neglect long-term investment in favor of focusing on short-term profits.

The way a country taxes its people deeply influences its potential for economic growth and thus for prosperity.

Our current code penalizes savings by taxing income when it is earned and then taxing interest and dividends that are generated by the initial investment. When an activity is penalized in the Tax Code, it stands to reason that it influences behavior. Taxpayers do less of those disfavored activities, and the current code is doing a good job of discouraging savings. Americans are only saving 2.8 percent of GDP.

This lack of savings leads to a shortage of investment which in turn leads to insufficient growth, stagnating incomes, and the loss of high-wage jobs.

The Congressional Budget Director, Robert Reischauer, testified before the Senate Budget Committee earlier this year. The report accompanying his testimony cautioned, and I quote:

... the best way for the nation to prepare for [the] future is to save and invest more now. Greater investment, the main engine of growth, would enlarge the future economic pie. . . Investment in turn, fundamentally depends upon the available pool of saving, whether private (personal and corporate) or Government (federal, state and local).

Our current Tax Code taxes capital gains far higher than our competitors. We have created a "backdoor" capital gains differential by raising the top personal income tax rate to 39.6 percent but keeping the top rate on capital gains at 28. Thus, if we have any capital gains differential, it is that, and it is quite by accident and sort of a backdoor.

The differential is subpar when compared to our competitors, be it Malaysia, South Korea, Taiwan, or Belgium. They do not tax capital gains at all. Germany does not tax capital gains on assets held longer than 6 months. Canada, France, and Japan tax capital gains at rates from 16 to 20 percent.

Our current Tax Code is far too complex. The tax industry absorbs more resources than the gross domestic product of a country like Ireland. Companies complain about the IRS agents being permanently housed in their corporate headquarters, and the IRS is years behind in their auditing. Others perversely brag about needing supercomputers to calculate certain foreign tax computations.

As our Supreme Court Justice Potter Stewart noted: "Our economy is 'tax relevant' in almost every detail." Taxes have become an increasingly important factor in investment decisions as other barriers to international capital flows have disappeared.

The philosophy of the USA tax Senator NUNN and I introduce today is to tax income that is not saved or in-

vested rather than to tax all income that is earned.

The best way to achieve a prosperous destiny for our country is to improve the Nation's productivity through sustained investment by the private sector. Job creation is especially dependent on new products entering new markets, and we all know this. This does not happen automatically. It requires hard work and competition, and to a great extent investments that must be financed with equity capital.

Our tax proposal is a quest for the best tax system we can develop, one that should vastly expand the pool of savings and achieve significant simplicity in the bargain. We estimate that of the 700 Internal Revenue Code sections, over 75 percent would disappear and be eliminated with the adoption of our proposed code.

The USA tax base is total gross domestic product. The business tax and the individual tax are two parts of a single tax on a single tax base. The business tax is intended to be the first in a two-step tax collection process. The business tax would begin with gross domestic product—the sum of all goods and services produced and sold by all businesses together, minus, in order to avoid double taxation, those things that they have bought from one another.

The first taxable event would take place when businesses create income by producing and selling goods and services; the second taxable event, when individuals receive income, net of the business tax, in the form of wages, salaries, interest, dividends, and similar distributions to the owners of business.

This is a new Tax Code. This is a totally new approach to taxing events in our economic life. It is not a concept. It is a totally new Tax Code built on two concepts and greatly simplifies what we have.

Now, at this point, while I have more to say, Senator NUNN and I have ample time and I am going to yield to my friend from Georgia and first say thanks to him for all the work he has done and for the people he has brought into this fold who have helped us put this together.

The PRESIDING OFFICER. The Senator from Georgia [Mr. NUNN], is recognized.

Mr. NUNN. Mr. President, I think my friend from New Mexico has explained very well the current Tax Code and all of its problems and what it is doing to Americans' competitive position in the world and, most importantly, what it is doing to the real income of the American people.

This bill that we are introducing today had its origin several years ago when the two of us, on a bipartisan basis, one Democrat and one Republican, had the privilege of chairing the CSIS Strengthening of America Commission. The plan that our Commission released a little over 2 years ago, and that Senator DOMENICI and I cochaired with a number of other people from

around the country as key members of that panel, was just that. It was a plan to strengthen our Nation, to strengthen our country, to strengthen our people, to strengthen our economy, and to strengthen our competitive position in the world.

That plan had three key elements. The first element was to get our fiscal house in order by embarking on a long-term plan to balance the budget. And we proposed that plan without using the Social Security surplus as we do today, without relying on any kind of dynamic scoring, without a constitutional amendment, and without a line-item veto. We proposed a plan that would lock in spending restraints first, before raising new revenues.

We have a long way to go to implement that plan. The Senator from New Mexico and I have struggled in this Chamber for several years trying to get caps on entitlement programs, and I suspect he will be leading the charge again this year as chairman of the Budget Committee.

The key to this part of our plan is controlling the growth of entitlement programs, as most of us who have studied it understand, but which neither Congress nor any administration, Democratic or Republican, has been prepared to do.

The second element, which my friend from New Mexico and I are here to talk about today, and a very important part of this overall plan, was to completely replace the individual and corporate income Tax Code of this country and create in its place a tax code that promotes savings and investment, rather than discouraging savings and investment, as does our current Tax Code.

The third element of our plan was an investment strategy that called for improved job training and apprenticeship programs to strengthen the workplace; national service; selected investments in infrastructure, including the so-called information highway; adequate funding for programs to help young children start school ready to learn, such as immunizations and Head Start; and a system of national educational standards. Some progress has already been made on many aspects of this third element of the Strengthening of America plan, thanks to the leadership of President Clinton, who has worked very hard on these areas, both before and since he became President.

The Commission was not saying that Government alone can solve our Nation's problems. In the final analysis, only the American people—working through their Government, but more importantly working in their own communities—can strengthen America. These three elements, however—balancing the budget, reforming the Federal Tax Code, and making the needed investments in our future—represent the action items for the federal government. Government cannot do it alone, but if Government does not do its part, we will never get our economic house in order.

Even though the proposed constitutional balanced budget amendment did not pass the Congress this year, I believe the Congress will still undertake a serious statutory effort this year to begin to balance at least the unified Federal budget. I expect my colleague from New Mexico will be one of the real leaders in that effort. While that is a laudable goal, and I have supported the constitutional balanced budget amendment every time the Senate has voted on it, I still believe, and our Commission concluded, that we need to do more than that. We need to balance the budget excluding the Social Security surplus.

The constitutional amendment we voted on earlier this year would have continued to use the Social Security surplus as an offset to the operating deficit in the rest of the budget, which means that this surplus would continue to be used to pay current bills rather than to prepare to pay for the retirement of the baby boom generation. As my colleague from Nebraska, Senator KERREY, has made abundantly clear, we are facing—or rather, we are failing to face up to—a real crisis when the Social Security trust fund begins to run annual deficits instead of surpluses.

The two most difficult tasks the Commission identified as the keys to putting our Nation's fiscal house in order—balancing the budget and reforming the Federal Tax Code—are still awaiting action. Today my colleague from New Mexico and I are introducing legislation that has been in the works for quite awhile. It has taken a good bit of time, more than we originally anticipated, because this legislation would implement the most revolutionary part of the Commission's plan, and that is the complete replacement of the current individual and corporate Federal income tax.

THE TIME HAS COME FOR FUNDAMENTAL REFORM

The House of Representatives, as part of their Contract With America, has already passed and sent to the Senate a bill that proposes to change several components of the current Tax Code—additional child care tax credits; expanded IRA proposals; increased depreciation of investments; and a lower tax rate on capital gains—without attempting fundamental reform of the Tax Code. This is an incremental, business-as-usual approach.

Senator DOMENICI and I, along with other people on the Strengthening Commission, concluded that tinkering with our Tax Code will not get the job done. Our fear is that incremental changes, however well intentioned, will complicate an already Byzantine Tax Code without yielding the increased savings and investment we all seek. Helping working families is a worthy goal, but without steady economic growth there is little that child care tax credits can do to help the middle class permanently raise its standard of living. Unlocking old capital is impor-

tant, but it is crucial that we also create new savings and investment.

My colleague from New Mexico and I believe there is a better way. Today, Senator DOMENICI and I are introducing, along with Senators KERREY and BENNETT, the USA Tax Act of 1995, a comprehensive tax reform proposal that we believe represents the best way to accomplish everything the other reform proposals—both the incremental approach the House has passed, as well as the other proposals to replace the current income tax—are trying to accomplish, and much more. We welcome debate, comments, suggestions, and constructive criticism on this legislation.

Our tax system, Mr. President, needs more than a Band-Aid. It needs a transplant. If we are serious about our Nation's future, we have to scrap the current tax system and put in its place a system that will work for our people and for our country.

Over the past 2 years, Senator DOMENICI and I and others have been working on the details of such a system, the USA Tax System that we are introducing today. We call it the USA Tax System because USA stands for unlimited savings allowance, which is the key, fundamental part of this proposal. We believe it represents a fundamental change in the way America taxes itself, the way America saves, and the way America invests.

What do we mean by a tax system that works? We mean a system that encourages savings and investment. We mean a system that is perceived to be fair and is fair. We mean a system that is understandable. We mean a system that reduces the complexity of paying taxes for ordinary Americans by taking less time, fewer forms, and fewer dollars to comply with. We mean a system that is attuned to the international competitive realities and gives U.S. companies and their employees a chance to compete fairly in the global marketplace, which we do not have today.

We mean a tax system that is fiscally responsible. There is no point in creating a system that increases the private sector component of the national savings with one hand, while further reducing the public sector component of national savings, by increasing the deficit, with the other hand. We do not intend to increase the deficit under this proposal.

Our plan is intended to be revenue neutral. And I would say from the outset, if the official estimates indicate that this is not revenue neutral, one way or another that there will be adjustments made so that it will indeed be revenue neutral.

When Senator DOMENICI and I began advocating our concept of a complete overhaul of the Tax Code 3 years ago, the prospect of fundamental reform appeared to be several years off at best. Today, however, the clock has moved up. It is clear that, while we are just beginning the process of debating how

to change the Tax Code, there is already a broad consensus in this country and in this Congress that fundamental reform is necessary.

In addition to our USA proposal, there are already two other proposals to completely replace the current income tax code being discussed—a flat tax and a national sales tax. In the coming months, all these proposals, and perhaps others as well, are likely to be discussed and examined. I am hopeful that as early as next year, Congress will attempt to enact one of these proposals. We welcome this debate, and we are introducing this legislation today to make sure that our proposal is fully included in this important national debate.

THE IMPORTANCE OF SAVING

Mr. President, we believe the central goal of any reform of our tax system should be to raise the level of national savings. We are proposing a tax system that we believe is smarter, and better for all taxpayers, because it removes the current bias in our Tax Code against the saving and investment that is the key to higher living standards. Higher savings, Mr. President, lead to more investment. More investment means that we have more productivity from American workers. The more productivity we have from our workers, the more competitive we are in the international arena. The more competitive we are in the international arena, the better jobs we have. The better jobs we have, the higher income we have as Americans.

That is a very important chain. That is the bottom line. The bottom line, in other words, is what happens to the real income of the American people in the future. There is a direct connection between how much we save and the real income of American people. That is the direct connection that we have to make sure our country understands. If we cannot make that connection in the American mind, there is no point in talking about a fundamental reform of the tax system. If they do agree that this proposition is true, then I think there is a tremendous opportunity here to make the fundamental changes we are proposing.

There is a direct connection between savings and higher real income for our people. That is the essence of our proposed USA Tax System.

The national savings rate in the United States is lower than that of any of our major competitors. In the 1980's, our savings rate dropped to an average of 3.6 percent, half the level of the 1960's and 1970's, and far below the comparable figures of 10 percent in Germany and 18 percent in Japan. In the first 5 years of this decade, 1990 to 1994, the U.S. savings rate has fallen almost 50 percent from the already low levels of the 1980's, to just 2.1 percent.

Without increased savings and investment, we cannot raise our long-term standard of living, meet our financial obligations, and build a better

society for today and for the generations that follow. The United States cannot continue to be the major competitive force in the world if other countries continue outsourcing us and outinvesting us. It simply cannot happen over a long period of time. That is fundamental.

It is often said that the best way to increase national saving is to reduce the Federal budget deficit. I agree with that proposition. The Strengthening of America Commission concluded we needed to do just that, but that we needed to do more. We not only need to reduce the share of our national savings being soaked up by the Federal budget deficit—we also need more savings. And we believe our proposal can turn the Tax Code from a major roadblock to higher savings into an important tool to promote higher savings.

I do not believe anybody could argue that the Tax Code is not used to encourage socially desirable behavior. Would anybody argue that the deductions for home mortgage interest and charitable contributions that have been in the Tax Code for decades do not encourage home ownership and donations to charities? Yet the current Tax Code not only fails to encourage private saving, which is vital to our future, it actually discourages it. Yet there is no doubt that future generations will not have the same level of entitlement benefits from the Government that we have today. Our present entitlement programs are not sustainable at their current growth rates. That means that Americans are going to have to save more, to take more personal responsibility for their own futures.

That is why our Strengthening of America report contained a plan to both balance the budget by reforming entitlement programs and to reform the Tax Code to promote greater personal savings. We need to get the Tax Code working for us, not against us, to get people to once again adopt the mentality of savers who think about tomorrow as well as today. We need to start an education process in this country to make saving a national issue—not just a tax issue. People need to understand the fundamental importance of saving, both for their own future and for America's future. We literally and figuratively must save America.

The heart of our proposal, Mr. President, is the unlimited savings allowance, or USA. That is why we call it the USA Tax System. In essence, it allows individuals a deduction for the portion of income they save, and allows businesses to expense their new investments when they make them rather than depreciating them over a long period of time. If Americans want to consume more, both now and in the future, then America must save more and invest more. These new deductions for savings and investment will provide the impetus for higher economic growth, higher productivity, higher paying jobs, and a higher living standard for all of us. I think a higher living

standard for all Americans is the ultimate test of fairness.

#### THE USA TAX SYSTEM IS A SINGLE TAX IN TWO PARTS

The USA proposal consists of a single, integrated tax in two parts: a progressive tax on individual incomes, and a low, flat rate tax on all businesses. These two parts are meant to work together. It is important that people not try to consider the two parts separately, because if they do they will not grasp the significance of the whole concept. It is a single tax levied in two places: at the business level where wealth is created and at the individual level where wealth is received.

This proposal allows an unlimited deduction at the business level for capital investment and, more important, it permits all citizens an unlimited deduction for the amount of their annual income they save and invest. The USA Tax System directly and systematically addresses our saving and investment problem.

To the individual, our system says, "If you choose to defer some of your consumption in favor of saving income for your future and the future of your children, the Tax Code will not penalize you for doing so."

And to the business enterprise, whether very small or very large, manufacturing, service, or agricultural, the USA Tax System says, "If you choose to invest your profits in a new machine or a new process that will help you grow and put more people to work, the Tax Code will help you." The USA Tax System, by its very nature, would align the way we tax with our common desire to provide our children with a better tomorrow.

Mr. President, I will not go into detail on the individual and business component.

But there are other parts of the proposal that I think need some emphasis this morning.

#### THE INDIVIDUAL TAX

Let me describe the key features of the individual part of our proposal first. The individual tax would function in a manner similar to that of the current income tax. From your gross income, you would make subtractions before you figure your tax, just as you do now. You would subtract personal exemptions, a new family living allowance, a new savings allowance, and a limited number of itemized deductions. Gross income would include wages, salaries, interest, dividends, earnings withdrawn from unincorporated businesses, proceeds from asset sales—basically the same concept of income we have today.

First, the USA proposal contains a family living allowance that is similar to the current standard deduction except that it is in addition to any itemized deductions, not an alternative to itemized deductions. This family living allowance exempts the first dollars spent on consumption from taxation, because we know that people in low income brackets spend a higher propor-

tion of their incomes on necessities than people in high income brackets.

In addition to the family living allowance, you would have personal exemptions just as you do under current law. A family of four filing a joint return would have its first \$17,600 of income exempt from taxation by adding this family living allowance to its four personal exemptions.

#### THE UNLIMITED SAVINGS ALLOWANCE

In addition to these deductions, there would be a new deduction for the amount of income that is saved called the unlimited savings allowance. We define savings in this proposal as net new savings. That is key. If you add to the national savings pool, you would deduct that money before you pay taxes. In other words, to make it simple, if someone makes \$40,000 a year and saves \$5,000, they would pay taxes on \$35,000, instead of today paying taxes before the savings on the entire \$40,000. That is fundamental. We encourage people to save.

The unlimited savings allowance is similar to the IRA concept, but it is unlimited. It is not limited to \$2,000 or any other dollar amount. It is not limited to saving for retirement. But it is for net new savings. We do not give a deduction for merely shifting savings around. That has always been one of the problems with the IRA.

The unlimited savings allowance is fundamentally different from the current Tax Code, which penalizes savings. Under the present Tax Code, savings are taxed twice, once when you earn the income that you save, and again when you receive a return on those savings; consumption is taxed only once.

The USA Tax System also reflects a fundamentally different philosophy in that we do not focus on where your income came from. We do not have different rates for wage income or dividends or capital gains. Under the USA Tax System, the point is not where the income comes from, it is what you do with it. The portion of your income you save, whether you are rich or poor, you do not pay tax on. The portion you spend, above the level for basic necessities, is subject to tax at progressive rates.

The deduction for individual saving also permits a new perspective toward designing a business tax. Because our proposal defers taxes on individual saving until they are spent, we can eliminate enormous complexities in today's Tax Code. There is no reason to be concerned about people sheltering their savings in corporations, which creates a huge portion of the complexity in today's Tax Code. We do not need elaborate rules to force businesses to distribute sheltered saving.

I am sure some people say that there is no proof that savings will respond to changes in the Tax Code, so how do we know your proposal will work? In response to that, I would say that first, you could just as easily argue is no

proof regarding any proposition of economics. Economics happens in the real world, with complex interactions that will never be exactly repeated, not in a lab.

Second, it misses the point to compare the USA proposal to the experience we had with individual retirement accounts in the early 1980's. With the IRA, you did not have to save more to get a deduction, you merely had to move your savings into an IRA. Since the Government was handing out tax deductions for moving savings from your right pocket to your left pocket, is it not surprising that those IRA provisions did not increase national savings.

But there is a crucial difference between the unlimited savings allowance that Senator DOMENICI and I are proposing and the IRA's of the 1980's. Our proposal rewards true increases in savings and does not reward shifting assets from one type of account to another.

Finally, I would say that a perfect world Tax Code would not affect people's economic decisions at all. But we all know we do not live in such a perfect world, and it is unlikely we ever will. We all know people do things sometimes that do not make a lot of sense, just to lower their taxes. To say that people do not respond to economic incentives simply flies in the face of everything we know about economics and human nature. What the Senator from New Mexico and I are saying is, recognizing that it is human nature to respond to incentives like tax deductions, let us give people an incentive to do the right thing, for our country and our economy, not the wrong thing.

#### OTHER DEDUCTIONS FOR INDIVIDUALS

In addition to the family living allowance, the personal exemptions and the savings allowance, we propose a limited number of additional itemized deductions. The higher the number of deductions, as we all know, the higher the marginal tax rates would have to be. So, there is a trade-off. We are proposing to retain a deduction for home mortgage interest and charitable deductions. We could have more deductions, of course, and certainly we welcome debate on which deductions people think should be added to, or subtracted from, our proposal—with one word of caution. The higher the number of deductions, the higher the rates will have to be to avoid increasing the deficit. There is a direct tradeoff between the number of deductions and the tax rate.

Our proposal does have one such additional deduction which I feel very strongly about, and that is a deduction for tuition expenses for post-secondary education, whether it is college, trade or vocational school, or remedial education. We feel it is important that the tax system provide a deduction for investment in human capital that parallels the deductions on the business side for investments in physical capital, since both investments raise the

productivity and real incomes of workers.

#### THE USA TAX SYSTEM IS PROGRESSIVE

The USA Tax System is a progressive tax. Our system will have three graduated rates. We are proposing a progressive system, not a flat tax. We do not believe it is necessary to abandon the principles of fairness and progressive taxation in order to get a simpler, more efficient, growth-oriented tax code. It is important to keep in mind that the graduated rates in the USA Tax System will not create the same disincentives on saving and growth as today's tax system, since taxes will be deferred on income that is saved and invested.

There are four main elements that make the USA tax on individuals progressive. First, we have progressive rates. Second, we have a family living allowance that does not tax the first several thousand dollars of consumption for basic necessities. Third, we retain some progressive elements of the current code, such as an earned income tax credit—which we increase—and the tax exempt status of food stamps and other safety-net benefits. Finally, we have a new payroll tax credit which I will discuss in a moment.

We would apply progressive tax rates to the amount of income that is consumed, after subtracting the family living allowance, personal exemptions, and deductions for mortgage interest, charitable contributions, and education expenses.

The tax rates in the USA system are not directly comparable to the rates in the current income Tax Code, however. I know people are going to find that a little hard to understand at first, but the reason why they are not comparable is very important, and that is our payroll tax credit.

#### THE PAYROLL TAX CREDIT

Under the USA system, after you determine the amount of tax resulting from applying graduated rates to your taxable income, as I have just described, you would subtract from that income tax the amount withheld from your salary for the employee share of your Social Security payroll, or FICA, tax. We think that is a very important feature of the USA system that would reduce the regressive nature of the present payroll tax. The payroll tax, which is absolutely essential to fund Social Security, to fund Medicare, also has become the most regressive part of our Tax Code—the most regressive part of our Tax Code. It does not apply except to the first \$60,000 of earnings. Higher income people do not pay it above that except a limited portion on Medicare. But low-income people, medium-income people, are paying a very large percentage of their overall taxes on FICA tax.

In fact, there are literally millions of Americans today that pay more FICA tax than they do income tax.

Our payroll tax credit would be refundable so that if you had more withheld in payroll taxes than you owed in

taxes, as is the case for many people, the difference would be refunded to you. Therefore, people with earned income can, in effect, subtract 7.65 percent, the amount of pay withheld for the employee's share of the Social Security and Medicare payroll taxes, from our tax rates.

It is very important for people to understand this. When you see a 20 percent tax rate or 19 percent or 27 percent tax rate under the USA proposal, the 7.65 percent credit has to be subtracted to get the real tax rate—a 20 percent rate under the USA system is, in effect, equal to a marginal rate of 12.35 percent under today's system after you take the payroll tax credit.

The payroll tax is a perfect example of why fundamental tax reform is needed. As my colleague from New York, the ranking member of the Finance Committee, Senator MOYNIHAN, has so frequently and eloquently pointed out, the payroll tax is a very regressive tax. It discourages hiring additional workers, especially lower wage workers. Nobody designed the system that way, of course.

The payroll tax started out at a low rate, but that rate has grown considerably over the years. In the late 1960's and early 1970's, the payroll tax working people paid grew considerably to finance large cost of living increases for retirees that were enacted in years of high inflation. It was increased again in the 1980's, ostensibly to build up a surplus for the retirement of the baby boomers. Unfortunately, as Senator MOYNIHAN has also pointed out, that is not what the surpluses are actually being used for.

So we now find ourselves with a combined employer-employee payroll tax rate of 15.3 percent a very high rate that adds significantly to the cost of labor. The system was set up for one purpose—to provide income security in retirement—but it is actually hurting working people in ways that I am sure were never intended by the authors.

Mr. President, our proposal does not abolish the payroll tax. It does not affect the operation of the Social Security system in any way. What it does do is to offset the unintended negative effects of the payroll tax by crediting the payroll tax against an individual's or business's tax liability under the USA tax. The employer would also get the 7.65 percent credit against their taxes—not a deduction, but a tax credit. Employees get a credit for the FICA taxes against the individual income tax, and employers get a credit for the employer share against the business tax.

So the same amount of revenue will continue to be deposited in the Social Security trust fund. We do not affect that, but the payroll tax will be integrated into the income tax in a way that offsets its regressive nature. This is important for fairness purposes. It is also important so that we eliminate one of the major impediments to people with low skills being hired. Now

people with low skills, minimum-wage-type jobs, the employer has to look very, very carefully before they hire because they are not only paying for the minimum wage, or whatever the wage is, they are also paying another, in effect, 15.3 percent because of these very high payroll taxes that continue to go up.

#### THE BUSINESS TAX

Mr. President, I will take just a moment on the business side of the Tax Code because I know that Senator KERREY from Nebraska, who has been very involved in this concept for a long time and has been a major help to us, is on the floor and would like to speak. Let me make a few comments about the business tax.

The second component of our new tax code is the business tax. The business tax would work like this: Under the USA Tax System the business would add up its sales receipts during the year, then add up the cost of the goods and services it purchased for use in its business. The cost of these business purchases would be subtracted from the sales receipts. The difference would be subject to a business tax at a flat rate of 11 percent.

I am sure many people will ask, "Why is the business rate so much lower than current law?" The answer is that the two rates are really not comparable, because our tax would not be applied to corporate income as currently defined, but rather to a company's gross profits. It is a fundamentally different concept from what we have today, and it applies to all businesses, not just those that are incorporated. I think everyone who studies this business tax needs to understand we have a fundamentally broader base for the business tax so we are dramatically lowering the rate but we are producing the same amount of revenue. We are not lowering the overall proportion that businesses are paying. They are paying the same proportion. But we are able to lower the rate because we are greatly broadening the base, and that needs to be understood.

It is important also to understand that under the USA Tax System, the cost of investment in plant and equipment and inventory would be fully deductible when spent. There would be no need for depreciation schedules. Investment would be deducted up front. Investment creates jobs. New plant and equipment creates productivity opportunities and that increases the income of our people. So that is the behavior we should be encouraging rather than discouraging.

Investment in plant and equipment is what we need in this country, and yet the amortization of these investments over a long period of time under current law discourages businesses from investing as much as they would otherwise.

#### THE USA TAX PROMOTES U.S. COMPETITIVENESS

Another very important feature is that our USA Tax System puts U.S. companies on the same footing with

our competitors. The USA business tax is territorial—meaning it applies to all sales on U.S. soil no matter where the business is headquartered—and it is border adjustable.

We want to encourage exports, and we do in this proposal. We exclude the proceeds from export sales from taxation by rebating the tax on goods exported for sale abroad. And when a company, foreign or U.S. owned, manufactures abroad and sells to the United States market, the company is, through the operations of a new import tax, taxed essentially the same as if the factory were located in the United States. That is border adjustability, the tax is rebated on exports and added to imports, which is exactly the situation American exporters to Europe and Japan face today. We believe our business tax will place American companies and workers on an equal and level playing field.

This is no small matter, Mr. President. The share of our economic output that is exported, and the share of our national income that we spend on imports, have both doubled over the past 25 years. Yet the current U.S. Tax Code has not kept pace with the rapidly changing face of international competition. While our economy has shifted dramatically since this Tax Code was put into effect, our we have not made a comparable shift in our Tax Code. We have simply tinkered with it year in and year out.

Our tax system is a holdover from another era, when international trade was a small component of our economy, when having a tax rule that applied to all American corporations equally was enough. But today American companies do not just compete with each other, they compete globally. And the U.S. Tax Code puts our companies at a disadvantage.

Under the rules of the General Agreement on Tariffs and Trade, or GATT, certain types of taxes can be levied on imports and rebated on exports—border adjustability—while other types of taxes cannot. Our competitors in Europe and Japan have business taxes that can be rebated under GATT, while we do not. We believe the USA business tax is legal under the GATT, since it would work essentially the same way as European and Japanese value-added taxes, which are GATT-legal.

Let me give a simple example of how our business tax applies to exports and imports. If a company has \$2.5 million in sales, of which \$500,000 are export sales, for purposes of the business tax its receipts would be only the \$2 million it had in domestic sales, not \$2.5 million. But it will not have to go through a lot of complicated calculations to allocate its production costs between its domestic and foreign sales. All domestic input costs will be deductible regardless of whether the sales are domestic or export sales. Under our proposal there will no longer be a tax incentive to move production overseas.

Conversely, if the facilities used for the production of the \$2 million in domestic sales are moved overseas and the \$2 million of goods are imported into the United States, an 11 percent import tax of \$220,000 will be collected on those goods.

In order to comply with the requirements of the GATT, businesses would not deduct wages. This is a key point, and I know there will be concern about this. But there are two important things to remember. First, our rates are much lower—11 percent—than the rates currently imposed on corporate profits.

The second thing that we need to remember is that under our proposal, the deduction for wages would be replaced by the credit for the employer's share of the Social Security payroll tax—which is 7.65 percent of its payroll—which is the other half of the credit that employees get under the individual tax that I have already described. Businesses would get a credit back on that tax up to the maximum Social Security wage.

#### THE USA TAX IS DESIGNED TO BE DEFICIT-NEUTRAL

Under our proposal, the individual and the corporate shares of our total revenue would remain the same. We are not trying to shift the tax burden from businesses to individuals, or vice versa. We are not trying to shift the burden from the rich to the poor, or from the poor to the rich. We are not looking for the fellow behind the tree to tax. We are designing this system to produce the same amount of revenue as the current Tax Code. It is not a proposal to cut taxes or raise taxes.

Because of the comprehensive nature of our proposal, and the enormous workload the Joint Committee on Taxation has had this year, they were not able to perform an official revenue analysis or a distributional analysis of this proposal before we introduced it. It is our intention that this system retain the progressivity of the current system, and that it be revenue neutral compared to the current system. Should the official estimates indicate that the bill we have introduced fails to completely meet either of those goals, we intend to work with the Joint Committee to refine this proposal so that we meet both, because we think they are very important.

#### THE USA TAX IS SIMPLER AND MORE EFFICIENT

The USA Tax System also makes great strides in making our Tax Code simpler and more economically efficient. The USA tax eliminates the need to calculate depreciation year after year, because investments are expensed immediately. We also eliminate the complicated, and in many cases counterproductive, alternative minimum tax, or AMT.

The USA business tax puts debt and equity financing on an equal footing. We treat all forms of businesses the same—corporations, partnerships, and proprietorships.

One of the greatest contributions the USA system will make to simplification is that no longer will people have any reason to seek out unproductive, economically wasteful tax shelters in order to cut their taxes. If you want to lower your taxes, put your money in savings where it can work for all of us—buy a CD, invest in a mutual fund. It might take a few minutes to do your net savings calculation once a year, but the net savings calculation should result more efficient use of our national income, as well as higher economic growth as saving and investment increase.

In an economy with a gross domestic product of over \$6 trillion, taxation will never be a completely simple affair. But because the USA Tax System eliminates the need for rules against sheltering income in corporations, and because it is based on cash rather than accrual accounting, it promises major advances in simplicity and clarity.

Under the USA system, we believe whole volumes of Tax Code complications would fall away into welcome oblivion. The tax shelter industry would shrink and compliance costs would plummet. All income would be treated alike. The key is what they would do with their income. If it is reinvested, then the taxation on it would be deferred. It is not reinvested, if it is consumed, then ordinary tax rates would apply. Those rules would be the same for everyone; for the factory worker and for the investor.

There would be no more need for fights over capital gains, investment tax credits, individual retirement accounts, and other targeted incentives for saving. The USA Tax System eliminates these issues because it offers a blanket deduction for personal saving and business investment.

And under the USA system, taxpayers will not have to keep track of the basis of their newly purchased savings assets such as stocks and mutual funds, the way they do now, and most taxpayers will not have to worry about the basis of savings assets they already hold. Finally, the USA tax system will not take a whole new bureaucracy to administer.

#### THE USA TAX SYSTEM IS A REVOLUTIONARY CONCEPT

In a way, the USA Tax System could be described as simply taking the current tax system and adding a deduction for savings. That may be the major change most people would notice. But the USA Tax System represents a much more profound change in its effects than in its form.

For any given level of income, those who save and invest more will pay lower taxes. The taxpayers in the top bracket would pay roughly the same total amount of taxes they do now. But within that bracket, there will be those who pay less and those who pay more. The same will hold true whether you are in a higher or a lower tax bracket. That is the essence of our proposal. Those who help our economy, help cre-

ate jobs, and boost productivity by saving and investing, will pay less than their neighbors with similar incomes who do not.

We are basically going to tax people on what they take out of the economy—above a tax free level for necessities—rather than what they put into the economy by working and saving. Our proposal represents a revolution in the philosophy of the income tax system. But we do not have to make major changes to the system already in place to administer the tax system to make our proposal work.

By contrast, a consumption or expenditure tax, such as a value-added tax, would impose enormous administrative expenses on American businesses, without the progressivity, and without creating the same incentive to save and invest, that the USA Tax System has.

The distinguished economist and former chairman of the Council of Economic Advisers, Murray Weidenbaum, very clearly summarized the benefits of moving to a tax system that, in his words "puts the fiscal burden on what people take from society—the goods and services they consume—rather than on what they contribute by working and saving."

Professor Weidenbaum argues that we need a Tax Code that promotes saving because saving is the seed corn for economic expansion. The money you save does not just sit there, it works for all of us by being invested. Increased savings and investment generates more production of goods and services, more employment, and a higher living standard for all of us.

A tax system that exempts saving raises the same amount of revenue as the existing tax system, with far less damage to the economy. We get a faster growing economy with more people working, fewer people needing public assistance, and the increased revenues that come from a growing tax base instead of from raising tax rates.

#### CONCLUSION

Mr. President, this is a revolutionary concept. The advantages are, I think, very, very important to our country.

The first advantage: This proposal will increase national savings by eliminating the bias in the current Tax Code against savings, without increasing the budget deficit. Increasing the pool of private savings will in turn allow increased investment at lower cost, which will increase the productivity of our workers.

Second, it will level the international playing field for U.S. companies, and promote U.S. exports of domestically produced goods, by rebating the business tax on goods sold for export, and it will equalize the tax treatment of American-made and imported goods by having foreign companies pay their fair share of taxes, just as American exports are taxed when they are sold in foreign markets.

Third, it will make our Tax Code more understandable and more effi-

cient which will save, I believe, both millions of dollars and millions of hours preparing individual and business tax returns, and it will do so without sacrificing the principle of fairness in allocating the tax burden.

Fourth, the USA tax credit for the employer share of payroll taxes will help create jobs for workers who might not otherwise be hired by reducing the current disincentive to hire low-skill workers that results from the regressive payroll tax which applies to the entire wage of lower paid workers but to only part of the wage of higher paid workers.

Finally, we believe it will foster greater personal responsibility by clearly showing the costs and benefits of saving versus consuming.

Today, Mr. President, every family in America, if they are saving money for a washing machine, an automobile, or a college education, has to pay taxes before they save. We would give the people in the lower and middle-income brackets who need to save, but who think they cannot afford to save—and who do not have any incentive to save under the current Tax Code, because any money they do save out of their after-tax income is taxed again when it earns interest or dividends—we would give them a way to save. I believe our proposal will help all American families save, and that as a result, all of us will be better off.

The current tax system is broken and, in my opinion, it cannot be fixed. In a very real way, it has aided and abetted our irresponsible tendency to live beyond our means. Our current Tax Code must be abolished and replaced.

We must begin anew. The USA Tax System provides a way to eliminate the cynical complexities, the special subsidies, the crippling biases present in the current Code. By enacting real reform of the tax system, this Congress can take a giant step toward securing our future.

Mr. President, I thank the Senator from New Mexico. Without his leadership there would have been no Strengthening America Commission, there would have been no tax proposal today. He has been a key player in this from the very beginning. He is a pleasure to work with. I look forward to working with him on this proposal, as well as on his important responsibilities on the other side of our national economic challenge, and that is getting our deficit under control, which also directly drains our savings.

Mr. President, I yield the floor.

Mr. KERREY. Mr. President, it is awfully difficult to estimate the economic impact of tax law. I must say, it is a lot easier for us to estimate the political impact of tax laws because we hear from a whole range of interest groups constantly that are concerned about preserving some deduction or perhaps expanding some deduction. So it is genuinely difficult to estimate what the economic impact is going to be,

though it is easy to estimate what the political impact is going to be, of various changes in the law.

What is not difficult with this particular piece of legislation is to estimate what the impact is going to be upon American families who desire to save and on American businesses who are willing to make job-creating investments.

Mr. President, this piece of legislation, though I am quite certain there will be critics who will point out defects in it—indeed, there may be plenty of room for improvement of this legislation—there is no question that this tax law change is allowed, in my judgment, by the rather dramatic change in the political situation last November, which has permitted us, the Congress, to begin to consider things that had previously been off limits. There is no question, in my judgment, that this piece of legislation would have the impact of simultaneously allowing American families to save more by providing a powerful incentive for them to save, and it would enable American businesses to make job-creating investments by enabling them to expense off the cost of those investments.

Let me say, Mr. President, as a part of this debate, that I am continuing to be one of the diminishing numbers of the Senate that is a Member of the Democratic Party and should assert that as a Member of the Democratic Party, I do believe that labor is superior to capital. By that, I mean you must have people who are willing to work before the capital is worth anything; capital without labor is worthless. So I believe in the superiority of labor, and I believe in the training of labor, and I believe in universal education and the preparation of people so that they have the skills needed to compete, so they have the skills needed to earn the living that they desire.

But I do not believe in declaring war on capital, nor do I believe in declaring war on the wealthy. Indeed, it seems to me that the heart of the Democratic message ought to be that equal opportunity means providing every single American, regardless of their status in life, an opportunity to become wealthy in this country.

Unfortunately and regrettably, Mr. President, there is no shortcut to becoming wealthy. There is no easy way, no free lunch to do it. In order to become wealthy, one must acquire wealth. And in order to do that, one must save. Occasionally, there are people who hit the lottery or some bonanza of some sort. But, generally speaking, the acquisition of wealth occurs as a consequence of people being willing to defer gratification to set aside something they would like to purchase today in favor of the desire to purchase something later.

I remember, Mr. President, in 1988, during my first campaign for the U.S. Senate—I will not tell the gentlemen's name—standing at a farm site at an event thrown in my behalf, standing

next to a farmer approximately a generation older than I, along with a friend of mine who is a salesman. He was talking to this farmer and he said, "It is well known that you are one of the wealthiest men in the country. How did you get so wealthy?" He said, "It is real simple. I do not spend my money." And in making an observation about this gentleman who was a salesman, he said "You are wearing very nice clothes that cost you a lot of money." The salesman said, "I have to in order to do my work." The farmer said, "You will notice that I am wearing a very attractive shirt that I bought for a dollar at your garage sale last fall."

Mr. President, in order to acquire wealth, individuals must be willing to save. There is no short cut to it. Senator SIMPSON and I will, in the next few days, I hope, if we can get the bill language put together, present legislation that will reform a program that is supposed to be a savings program but it is not, and that is our Social Security system. One of the things I will do in the process of describing the legislation is describe the magic of compounding interest rates.

Mr. President, there are three variables that will determine the impact of your savings and your acquisition of wealth.

Variable number one is the length of time that you contribute to that savings account.

Variable number two is the amount of money you contribute.

Variable number three is the rate of return.

The most important variable is number one, the length of time that you contribute. An individual that contributes \$75 a year starting at age 20, over a 50-year period, will have more at the end of that 50-year period than somebody who contributes \$1,500 a year if they wait until they are age 50 to start. I am 51 and, generally, it occurs to you when you are about 50 that, Oh, my gosh, I am going to retire in 15 years, I have to start saving money. The dilemma is that if you wait until you are 50, you are giving up the significant impact of compounding rates.

Let me give a little mathematics for the listening audience. Mr. President, if you got a 10-percent real rate of return by investing in equities, which is not that difficult to do, that would mean that you would have a compound every 7.2 years. Thus, if your parents took \$1,000 and opened a savings account for you when you were born, you would get 10 compounds on that thousand dollars that would be worth a million dollars by the time you reach age 70. This piece of legislation, in my judgment, Mr. President, would change the culture and attitude of savings in the United States of America.

Mr. President, to be clear, there are not very many situations where the interest of the individual and the interest of the Nation intersect, where they are the same. As much as we talk

about it being the same, there are very few situations where that is the case. With savings, there is an intersection. It is in the interest of American families to acquire and accumulate wealth. It is in the interest of the Nation to do the same. Unless both the individual has an incentive to save and the Nation has the discipline to save, then the standard of living of the United States of America simply will not rise.

Mr. President, I will identify four features that I think unquestionably will have a dramatic and powerful and positive impact on the United States of America.

First, this piece of legislation permits a full and unlimited deferral of the taxation of savings. A clear signal, unequivocal. There would be no need to consult with an accountant. You would know precisely that if you save money, you can defer taxation on that savings.

Second, it allows wage earners an offset for the employee portion of the payroll tax. That is a very powerful incentive. The payroll tax is extremely regressive and very often uncalculated when people are politicians and are looking at the overall rates of taxation. It is an extremely regressive tax, difficult for individuals, and very often a barrier for businesses to hire new employees.

Third, Mr. President, it allows those individuals who are willing to roll the dice, to sign their name on the dotted line to put some savings into land, building, equipment, which will hire and employ Americans. It allows them, in the operation of their business—a risky venture in the 1990's—to expense every single one of their real investments.

Fourth, Mr. President, it enables the United States of America to exclude export sales from taxation imposed, as well a tax on imports. Every single one of our industrial competitors does precisely the same thing. They have to be laughing under their breath as they look at the taxation system of the United States of America that puts our workers at a competitive disadvantage, and puts our businesses at a competitive disadvantage as well.

Mr. President, I am pleased to join the distinguished Senator from New Mexico and the distinguished Senator from Georgia as an original cosponsor. This is a piece of legislation that has been several years in the making. It is a very thoughtful piece of legislation. It has been well thought through. I attended a number of these meetings long before the issue was popular. The Senator from New Mexico and the Senator from Georgia were leading this effort. I hope that, with the new permission granted in this new Congress, this kind of legislation, serious legislation, will not only be considered but will be enacted as soon as possible. Mr. President, it will be good for American families and good for American workers, and it will be good for American businesses and, as a consequence of all three, good for our country.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I yield myself 5 minutes, and Senator NUNN would like 5 to wrap this up, so I will yield 5 to him.

Mr. President, I would like Members of the Senate and those interested in this legislation to know that we set some very difficult parameters for those who helped us draft this. We said we want to replace the income tax system with a whole new system, and we want to replace it both in substance and in dollars. We want the exact same amount of revenue to come in from this new code as before. No more, no less. We want it to be neutral. It was a pretty hard mandate imposed on those who are doing the modeling, the rate making, and other things.

Second, we said to them that we have a tendency in the United States to judge progressivity based on things we understand. So we took progressivity to mean that each 20 percent of the American taxpayers—frequently called quintiles—the low 20 and the high 20 would pay the same proportion of the total tax when we were finished with this as the current code—another very difficult and onerous instruction, but we did those two things because we wanted to prove that you could totally overhaul the income tax structure and get the same amount of revenue from corporations and businesses and the same amount from each quintile—that is, 20 percent of the American taxpayers in a progressive manner.

Now, obviously, we have followed that rule religiously. Thus we have some guidelines, some milestones, and proof that it can be done.

On the other hand, we suggest to the tax writers in the various committees, including our Ways and Means Committee, our Finance Committee, and the Ways and Means Committee in the House, that they might very well, in trying to adopt this major concept changes that are incorporated in detail, they might want to look at some variance in those. But we wanted to send it to them and say we have living proof that it can be done and yet tremendously encourage savings and investment.

The second point. All of the modeling and estimating was done on a basis of static economics. That is, we used the conservative—acceptable to the CBO and everyone else—approach to the tax yields.

Not for a minute do Senator NUNN and I believe that the savings, that the tax yields over time will be precisely the same. As a matter of fact, we believe that in the future years—because of the savings and investment, we might indeed have slightly less tax receipts in early years and very significantly higher ones in future years with better jobs.

We do not take credit for that in the modeling and estimating. We do it on this neutral, conservative basis.

Having said that, I want to say to my friend, and certainly he is Senator NUNN's friend, Senator KERREY from Nebraska actually hit right at the heart of our proposal with his four summary items.

There is no question that this is a totally new concept. We think it is better. As I view it, when people sit around and decide what they are going to do with their earnings, currently there is no real incentive to look at savings and investment because we pay double tax on both—the incentive is against it instead of in favor of it.

We only want a neutral arena. We understand Americans must spend their money. We understand we will be asked, "Are you sure you will not hurt the economy by causing Americans to spend less?" We think, over time, the pluses are our way.

All we want to do is put that on a level playing field. As we sit around and talk about disposable income we want people to look at the unlimited IRA's that are part of this, or starting your own investment money and leaving it there.

In conclusion, the concept is that the savings and investment pool is good for America. The bigger it is, the better for our working people, for jobs and for our children. So if the money is left there in the savings or investment pool, you do not bring it back into your income and spend it, people do not pay taxes. It is deferred.

This seems to Washington to be rather revolutionary when coupled with the corporate advantages with our border adjustable. Clearly, American companies will be given a better opportunity to use more of this savings pool here in America, which many will ask, if we are going to have all these savings and investments, will American companies get a fair shot?

What we will say, I think, is, "Absolutely yes." We cannot keep all of our money at home, but when we create the advantages for American corporations and take away the disadvantages of engaging in world markets, I believe we will keep much of our money here at home under this proposal.

The PRESIDING OFFICER. The Senator from Georgia has 9 minutes 40 seconds remaining.

Mr. NUNN. Mr. President, I want to thank a few people, and I inadvertently may not name everyone. There have been many people involved in this effort.

On my staff, Mike McCord and Rocky Rief; on Senator DOMENICI's staff, Bill Hoagland and Denise Ramonas.

I would like to thank David Abshire and his entire team at CSIS—Dick Fairbanks, Debbie Miller, and John Yochelson—who worked on the Strengthening of America report, and the many people who have worked so hard to help us develop the concept we endorsed in that report into the detailed proposal we are introducing today.

Barry Rogstad and John Edean of the American Business Conference have helped immensely. Barry was on the commission and we asked him to work with us after we came out with this report. Ernest Christian of the Center for Strategic Tax Reform, who has been very, very, instrumental in helping us turn this overall concept in a working tax system, because he has great expertise in the tax area. I also want to thank Rudy Penner, the former Director of the Congressional Budget Office, who has done a great deal in coming up with rate structure and conceptual framework of the USA tax, and Lin Smith and Paul Burnham who are part of Rudy's team at KPMG Peat Marwick.

Barry, Ernie, and Rudy in particular have spent countless hours helping Senator DOMENICI and I develop this proposal. These key players deserve great credit. I also want to thank Bob Lutz, Paul O'Neill, Barbara North and all the members of Alliance USA for their support.

While he has not reviewed the legislation we are introducing today, and may not necessarily agree with everything in it, this proposal has benefited from the pioneering conceptual work in this area over the past 20 years by David Bradford.

The cash-flow business tax component of our proposal has also built on the foundation of several years of work by our two distinguished friends and former colleagues, Senator DAVID BOREN and Senator JACK DANFORTH, and their very able staffers, Beth Garrett, and Mark Weinberger, who also served as Chief of Staff of the Kerrey-Danforth Bipartisan Commission on Entitlement and Tax Reform.

I would also like to thank Jim Fransen and Mark Mathiesen of the Senate Legislative Counsel's office, and the staffers from the Joint Committee on Taxation, especially Jon Talisman, Joe Mikrut, Tom Bowne, and Tom Barthold, who have spent many hours working with us on this legislation. I know that the Legislative Counsel's office and the Joint Committee have both been extremely busy this year, and probably will continue to be, given the large numbers of both incremental and fundamental tax reform proposals being introduced, marked up, and debated this year.

I have no doubt that if we and they had the luxury of having all the time needed to produce a bill that contained every detail necessary to implement such a comprehensive reform as the USA Tax System, we would be able to improve it still further. While all these individuals have shared their time and talents with Senator DOMENICI and I and our staffs, and we have spent hours and days and weeks and months working on this proposal, I would be the first to say that the legislation we are introducing today is not complete, it is not perfect, it is not the last word on tax reform that will ever need to be written.

But we believe it is important to put our proposal—which I believe is far more detailed than any of the other reform proposals being discussed—before the American people at this time so that the American people can learn more about our proposal, and so that we can learn from them. We believe our proposal can and will be further improved as people study it and debate it. In the end, we believe we can make a compelling case why our USA proposal best serves the needs of the American people, and addresses the competitive realities of the global marketplace, for the next century.

Let me see if I can summarize the USA tax proposal in a very brief time. The fundamental premise is that the United States has a serious savings problem. The private savings in this country have continued to go down, down, down, while the Federal deficit has eaten up the savings by going up, up, up.

We have the lowest savings rate in the industrial world, as Senator KERREY from Nebraska and Senator DANFORTH from Missouri pointed out so clearly in their study, as we pointed out in the Strengthening of America Report, and as many other commissions, including Warren Rudman, Paul Tsongas, and PETE PETERSON of the Concord Coalition, who have done so much work in that area, have reported in the work they have done on trying to reduce the Federal budget deficit.

The fundamental premise is we have much too low a rate of savings, and we have to do something about that. The other fundamental premise is that higher savings is directly connected with real income, because higher savings produces more investment, higher productivity and improved competitiveness, better jobs, and a higher standard of living for our American workers.

The goals of our tax reform effort is to promote savings and investment; to ensure fairness while we are doing that; to not increase the budget deficit, which is enormously important; to strengthen America's competitive position—and I have talked about that at length this morning on the export/import matter—to make our Tax Code as simple and as efficient as possible in a complicated, complex world; to give individual Americans at all income levels a chance to save, to invest for their future, for their children's future, and to raise the standard of living for themselves and their families; and, finally, to produce the revenue required for the U.S. Government with the least detrimental effect on our economic growth.

The advantages of the USA tax system are many. I will try to capture those very briefly. No. 1, we eliminate the bias against savings in the current Tax Code.

No. 2, we do not increase the budget deficit, we break even if there is adjustment required. That is the fundamental premise. We will adjust to

accommodate whatever tax estimates come forward.

The third point is increase the national savings and thereby we give ourselves an opportunity to increase investment and to increase productivity and real income.

No. 4, we help level the international playing field for U.S. business by not taxing exports and by having the same tax on imports as on domestically-produced goods.

This equalizes the tax treatment with our competitors. Both Japan and Europe have a value-added tax where they rebate on exports and they tax our imports. So we are doing the same thing that they are doing, equally, and leveling the playing field. It gives our American producers a level playing field with workers abroad. That is enormously important.

Finally, it makes our Tax Code more understandable and more efficient.

The other dimension that I emphasized this morning that I think bears repeating, is that this is a major step toward giving unskilled people at the bottom end of the economic ladder a chance to get started, to get the foot on the bottom rung of the economic ladder, and to get a job, because we basically merge the FICA tax, the Social Security, with the income tax and we give full credit back to employees for the portion of that tax they paid, even if it is refundable. Even if their FICA tax exceeds the amount they owe on income tax, they will get a refund.

So this eliminates the most regressive feature of our current tax system and removes a very large obstacle to employment.

Mr. President, we welcome constructive criticism. We know that we do not have a perfect Tax Code—there is no such thing. We understand that there are going to be changes that need to be made. We understand there are things we have overlooked. We welcome suggestions. We welcome constructive criticism. I know we will have a lot of debate and discussion on this proposal and I am delighted, with my friend from New Mexico, as partners, to jointly send this proposal to the desk and ask it be reported and properly referred.

I also ask the cosponsors be listed: Mr. DOMENICI, introducing the bill with myself, Senator KERREY, and Senator BENNETT—so those will be the cosponsors. I believe Senator LIEBERMAN has indicated an interest and I believe later he would like to be added as a cosponsor, but we have not yet heard from him. He has been enormously interested in this proposal.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I thank the Senate for the time it gave Senator NUNN and me this morning. Both of us have had opportunities in our Senate careers to do some exciting things for our country, but I think we

both agree that if we can change the tax laws of the land to accomplish the goals and purposes described here and get the Federal deficit down where in a few years it would be zero, I think we would be rather satisfied that these would be major accomplishments in our time here in the U.S. Senate.

Does my colleague not agree?

Mr. NUNN. I certainly agree with my friend from New Mexico.

Mr. President, I ask this legislative proposal also be printed in the RECORD.

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

Mr. NUNN. Mr. President, I yield the remainder of our time.

Mr. DOMENICI. Yes, we yield the remainder of our time.

• Mr. LIEBERMAN. Mr. President, I applaud the efforts of the Senator from Georgia and the Senator from New Mexico. They have spent not weeks, not months, but years in developing this USA tax proposal.

It should come as no surprise that this proposal was such a long time in the making since it replaces our current individual and business income tax system. This was an enormous task. But each year, American taxpayers face an enormous task of their own—trying to make sense of the dazzlingly unwieldy and frighteningly complex U.S. Tax Code.

In addition to being complicated, our current Tax Code does little to encourage savings and investment and this is in a time when real incomes are down, making Americans even less certain about their economic futures.

Our current Code discourages the savings that create the savings pool from which investments can be made. In fact, our Code penalizes savings not once, not twice but three times—first by taxing that money before it can be invested, second by taxing it again as corporate profits, and third by taxing that money when it is distributed as dividends to shareholders. By any yardstick, the savings rate in this country is at a near-crisis point. Our falling private savings combined with our rising deficits have left our net national saving—the amount available for investment in job-creating activities—at record lows. That net national savings has fallen from about 10 percent of GDP in 1973 to less than 2 percent in 1993.

As the Senator from Georgia has said, “by definition what we do as individuals to invest in the collective future of our country comes from our savings.” I agree with that observation and I would add to that observation by saying that by definition what we should be doing as the creators of the Tax Code is to remove the disincentives in our Code that discourage that investment.

The proposal that Senators NUNN and DOMENICI are introducing today clearly provides an incentive for that saving that we as individuals, and we as a country, so desperately need. This proposal imposes no taxes on savings—

until those savings are spent. It also maintains a few important deductions like the home mortgage deduction and the charitable contribution deduction. In addition the proposal adds a critically important deduction to help families pay for the cost of higher education—as a way to encourage this all-important human investment. And it is significant to note that the proposal allows a full credit for the 7.65 percent of wages that workers pay into the Social Security system.

This proposal also goes to great pains to ensure fairness and progressivity. It allows for a living allowance as well as the deductions and credits I have outlined—for a family of four, the living allowance would mean that over \$17,000 a year in spending would be tax exempt. In addition, the figures that have been run on this proposal show that it would actually decrease the tax liability for a family making less than \$50,000 and leave the tax liability for those making between \$50,000 and \$100,000 unchanged. In addition, the tax liability of those making between \$100,000 and \$200,000 would increase by 3 percent and would increase by 4 percent for those making over \$200,000. It also ensures that the great majority of people who have been saving all along will not be penalized when they withdraw those savings in their retirement.

On the business side, this proposal encourages capital investment by providing for unlimited expensing and encourages the reinvestment of capital gains by deferring taxes on those gains if those gains are reinvested. And while it increases the overall pool of what is subject to the business tax, the proposal also lowers the tax rate overall on businesses.

This proposal holds out real promise and I am grateful that my colleagues from Georgia and New Mexico have devoted so much time and effort to ironing out the thousands of necessary details and putting this proposal into legislative form. I look forward to discussing the proposal in greater detail with them and, from what I have seen, their proposal certainly moves us a big step forward toward a tax system that is simpler and fairer as well as a system that increases our capacity as a country to grow and create new jobs.●

By Mr. KOHL (for himself and Mr. SPECTER):

S. 724. A bill to authorize the Administrator of the Office of Juvenile Justice and Delinquency Prevention Programs to make grants to States and units of local government to assist in providing secure facilities for violent and chronic juvenile offenders, and for other purposes; to the Committee on the Judiciary.

#### JUVENILE CORRECTIONS ACT

● Mr. KOHL. Mr. President, I rise to introduce the Juvenile Corrections Act of 1995, which I am proud to sponsor with my friend and colleague, Senator SPECTER. The act dedicates approximately 10 percent of the 1994 Crime Act's adult prison resources to the con-

struction and operation of State and local juvenile corrections facilities.

Juvenile violence, as we all know, is at the heart of the crime problem in America. Every 5 minutes a child is arrested for a violent crime in the United States; every 2 hours a child dies of a gunshot wound. Unfortunately, there is good reason to believe that this problem may get worse before it gets better. Demographics tell us that between now and the year 2000, the cohort of children between the ages of 14-17 will increase by more than 1 million. The likely result: a serious increase in the number of violent juvenile offenders in the coming years—above already unacceptable levels.

Despite this state of affairs, the Federal Government has treated juvenile corrections as the poor stepchild of the Federal anticrime effort. The 1994 Crime Act contained billions of dollars for policing and adult prisons at the State and local level, but no significant program to help States alleviate the increasing burdens on their juvenile corrections systems.

These burdens are real and substantial, Mr. President. A recent Department of Justice survey indicated that the majority of juvenile corrections facilities nationwide are seriously overcrowded and understaffed—in short, bursting at the seams. Between 1979 and 1991, juvenile detention centers faced a 30 percent increase in daily average population—a gain of about 65,000 youthful offenders. As a result of the demographic trend we highlighted above, we will probably see even worse overcrowding in the future.

Mr. President, the consequences of overcrowding should trouble us all. In part due to the combination of overcrowding and understaffing, juvenile offenders attacked detention facility staff 8,000 times in 1993. In countless U.S. cities, juvenile offenders who require detention are nonetheless released into the community because of a lack of space. And finally, it is clear that overcrowding breeds violence and ever more violent juvenile offenders who, when eventually released, are much more dangerous to society than when they were first institutionalized.

For all these reasons, we introduce today the Juvenile Corrections Act. Our legislation provides crucial assistance—\$770 million in funding over 5 years—to State and local governments for the construction, expansion, and operation of juvenile corrections facilities and programs. And, I should note, the act has no impact on the deficit, as it draws its funding from the \$8 billion adult corrections component of the 1994 Crime Act.

Mr. President, we cannot afford to turn a blind eye to the juvenile corrections problem. So I hope my colleagues will join with me and Senator SPECTER to enact the Juvenile Corrections Act. In light of the spiralling juvenile violence problem, we believe it makes good sense to dedicate roughly 10 percent of the crime act's adult prison re-

sources to State and local juvenile corrections.●

By Mr. ROCKEFELLER (for himself, Mr. DASCHLE, Mr. AKAKA, Mr. DORGAN, and Mr. WELLSTONE):

S. 725. A bill to amend title 38, United States Code, to extend certain authorities relating to the provision of community-based health care by the Department of Veterans Affairs, and for other purposes; to the Committee on Veterans' Affairs.

#### VETERANS' COMMUNITY-BASED CARE ACT

Mr. ROCKEFELLER. Mr. President, VA, like other Federal departments, is taking a hard look at its programs in order to improve the way it operates, and in so doing, improve the services it provides to its beneficiaries—in the case of VA, veterans and their families. I am committed to providing VA with the legislative authorities and management flexibility needed to renew its health care system to meet the current and the future needs of our Nation's veterans.

One of the steps VA must take is to revamp its infrastructure to use the most clinically appropriate, most effective, and most efficient approaches to health care delivery available in this country. VA plans to restructure by shifting from a system which is heavily oriented toward inpatient hospital care, to a system which provides more care in outpatient and noninstitutional settings, such as care in the community and in veterans' homes.

The bill I am introducing today is designed to support VA's reengineering efforts by extending existing authorities to provide health care to eligible veterans in community settings. I am proud that Senators DASCHLE, AKAKA, DORGAN, and WELLSTONE have joined with me as original cosponsors.

#### SUMMARY OF PROVISIONS

Mr. President, this legislation contains amendments to title 38, United States Code, and to various public laws that would:

First, extend until December 31, 2000, VA's authority to contract with non-VA halfway houses for treatment and rehabilitation services for veterans with substance abuse problems.

Second, extend until December 31, 2000, VA's authority to conduct a pilot program of noninstitutional alternatives to nursing home care.

Third, reauthorize until December 31, 2000, VA's Homeless Chronically Mentally Ill Program, which provides outreach and contract care in non-VA facilities for homeless veterans with severe mental illnesses.

Fourth, reauthorize until December 31, 2000, the Compensated Work Therapy/Transitional Residence Program for certain veterans, including those who suffer from substance abuse problems and homelessness.

Fifth, extend until December 31, 2000, VA's authority to enter into enhanced-use leases.

## BACKGROUND

Clearly, veterans who are eligible for VA health care services need access to a full range of institutional and noninstitutional services to meet their medical and health-related needs. Ideally, every patient would be provided the most appropriate type and level of care needed, and that care would be delivered in the most appropriate and least restrictive setting.

TREATMENT FOR ALCOHOL OR DRUG  
DEPENDENCE OR ABUSE DISABILITIES

This legislation would extend VA's authority to contract with non-VA halfway houses for treatment and rehabilitation services for veterans with substance abuse problems. Current law authorizes VA, through December 31, 1995, to provide veterans who are suffering from substance abuse disabilities with care on a contract basis through community halfway houses. Such community facilities provide a supervised, substance-free environment, maintain residents' health, and help residents improve their independent living and social skills.

This contract program provides an important step in a veteran's transition from inpatient substance abuse treatment and detoxification to independent living in a community. The contract program currently operates at 106 medical centers; 6,300 veterans were treated through the program in fiscal year 1994. First authorized in 1979, the program has been an integral step in the treatment of substance abuse for veterans.

NONINSTITUTIONAL ALTERNATIVES TO NURSING  
HOME CARE

This legislation would extend VA's authority to provide health and health-related services for veterans needing long-term care. Under current law, this program will expire on September 30, 1995.

Authorized by Public Law 101-366 and expanded by Public Law 103-452, the program is targeted to those veterans who, but for the receipt of these services, would need to be placed in a nursing home. Homemaker and home health aide services furnished under this program provide veterans with assistance in performing fundamental activities of daily living, such as eating, bathing, dressing, transferring, and other personal care activities. VA staff provide the case management, and public and private sector agencies deliver the services in veterans' own homes. Veterans can continue to live at home and receive, at less cost to VA and to the taxpayer, the same type of services that would otherwise be provided in a hospital or nursing home.

With a budget of \$10 million in fiscal year 1994, 110 VA medical centers purchased homemaker and home health aide services for more than 3,000 veterans.

HOMELESS CHRONICALLY MENTALLY ILL  
PROGRAM

This legislation would reauthorize for 5 years the Homeless Chronically Mentally Ill [HCMI] program. Under

current law, the HCMI program will expire on September 30, 1995.

The HCMI program, one of the two major VA homeless programs, authorizes VA outreach workers to contact homeless veterans in the community, assess and refer veterans to community services, and place eligible veterans in contracted community-based residential treatment facilities. The HCMI program was enacted in 1987 as a pilot program with a budget of only \$5 million. Since that time, the program has grown significantly. In fiscal year 1994, it had a \$24.5 million budget and operated out of 57 medical centers in 31 States and the District of Columbia. Similar to the contract program for veterans with chronic substance abuse problems, the HCMI program continues to prove its worth.

COMPENSATED WORK THERAPY/TRANSITIONAL  
RESIDENCES

This legislation would reauthorize through fiscal year 2000 a demonstration program that provides veterans with compensated work therapy and transitional residence [CWT/TR]. The current authority for this program expires on October 1, 1995.

Currently, section 7 of Public Law 102-54, enacted in 1991, authorizes VA to conduct a CWT/TR demonstration program with two components. Under one component, VA is authorized to purchase and renovate no more than 50 residences as therapeutic transitional houses for chronic substance abusers, many of whom are also homeless, jobless, and have mental illnesses. Under the second component, VA is authorized to contract with nonprofit corporations which would own and operate the transitional residences in conjunction with existing VA compensated work therapy programs.

Under both components, veterans pay rent from money earned by working for private businesses or Federal agencies which have contracts with VA to employ the veterans. Once the residence is fully renovated and operational, the rent collected from the veterans participating in the program is intended to pay the operating costs of the residence.

Thirty-six transitional residences run by VA were fully operational in 1994. Fourteen additional residences are currently in the process of being purchased or of activating operational beds. A preliminary VA evaluation of the existing programs indicates that well over half of participating veterans complete the program and have enjoyed substantially better sobriety, employment, and housing status than before entering the program. The analysis notes that, while these programs need additional study, they seem to have enjoyed some initial success.

While VA has implemented the first component of the demonstration program as originally envisioned by the Congress, I note that VA has only implemented the second component of this program, which requires VA to enter into agreement with nonprofits to purchase and run the transitional

houses, as part of its HCMI program. Of the 29 VA contracts with nonprofits for the HCMI program, VA provides compensated work therapy at 27 of them. I remain concerned that VA has not formally implemented the second component of the demonstration program.

## ENHANCED-USE LEASE AUTHORITY

This legislation would extend the authority for VA to enter into enhanced-use leases for an additional 5 years. This authority will expire on December 31, 1995. Under current law, the Secretary has the authority to enter into enhanced-use leases under which another party can use VA property so long as at least part of the property will provide for an activity which contributes to the mission of the Department and enhances the use of the property.

This program was enacted in 1991 as a test program in an effort to fund cost-effective alternatives to the manner in which VA traditionally acquired and managed its facility and capital holdings. The program was based on the concept that by out-leasing underused VA property on a long-term basis to non-VA users for uses compatible with VA programs, the Department would be able to obtain facilities, services, or money for VA requirements that would otherwise be unavailable or unaffordable.

According to VA, the initial results of this program are promising, and have significantly reduced costs to the Department and provided corresponding benefits to the local community. For example, through enhanced-use leasing, a Veterans Benefits Administration regional office is scheduled to open at the VA Medical Center in Houston, TX, this spring, at 56 percent of the cost initially appropriated for traditional acquisition, plus an annual income to VA. This summer, the Department is expected to open a new child care facility at the Washington, DC, VA Medical Center operated by a private child care provider; child care will be provided at a discounted cost to VA employees—all at no cost to VA.

The Department is pursuing other enhanced-use leasing projects, including child care projects for nine sites based on the Washington, DC, VA Medical Center model; parking garages at VA medical centers in St. Louis (John Cochran), Chicago (West Side), and Pittsburgh; training on emergency procedures at the West Palm Beach VA Medical Center; a Managed Care Clinical Research and Education Center at the Minneapolis VA Medical Center; new research space, a new outpatient clinic, and added parking at the Durham VA Medical Center; a new energy facility at the North Chicago VAMC; shared energy agreements at various VAMC's; and potentially, a continuous care retirement community at the Murfreesboro VAMC.

## CONCLUSION

Mr. President, many veterans who have suffered from chronic illnesses

have, in the past, had little, if no, choice as to where they could live and receive the long-term care they needed. Fortunately, there are more options today, including receiving care in one's own home. A long-term illness is no longer synonymous with institutionalization. If medical, health-related, and social services are available, it can make the difference between a veteran being able to live his or her last years in the comfort of his own home, or having to be placed in an institution. Among other goals, the Veterans Community-Based Care Act of 1995 will help make this possible for the men and women who have worn the country's uniform.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 725

*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 "Veterans Community-Based Care Act of 1995".

#### SEC. 2. EXTENSION OF EXPIRING AUTHORITIES RELATING TO COMMUNITY-BASED CARE.

(a) ALCOHOL OR DRUG DEPENDENCE AND ABUSE.—Section 1720A(e) of title 38, United States Code, is amended by striking out "December 31, 1995" and inserting in lieu thereof "December 31, 2000".

(b) NONINSTITUTIONAL ALTERNATIVES TO NURSING HOME CARE.—Section 1720C(a) of such title is amended by striking out "September 30, 1995," and inserting in lieu thereof "December 31, 2000..".

(c) COMMUNITY-BASED RESIDENTIAL CARE FOR HOMELESS CHRONICALLY MENTALLY ILL VETERANS AND OTHER VETERANS.—Section 115(d) of the Veterans' Benefits and Services Act of 1988 (38 U.S.C. 1712 note) is amended by striking out "September 30, 1995" and inserting in lieu thereof "December 31, 2000".

(d) DEMONSTRATION PROGRAM OF COMPENSATED WORK THERAPY.—Section 7(a) of Public Law 102-54 (38 U.S.C. 1718 note) is amended by striking out "fiscal years 1991 through 1995" and inserting in lieu thereof "the period beginning on October 1, 1990, and ending on December 31, 2000".

#### SEC. 3. EXTENSION OF AUTHORITY FOR ENHANCED-USE LEASES OF REAL PROPERTY.

Section 8169 of title 38, United States Code, is amended by striking out "December 31, 1995" and inserting in lieu thereof "December 31, 2000".

#### ADDITIONAL COSPONSORS

S. 256

At the request of Mr. DOLE, the name of the Senator from Indiana [Mr. COATS] was added as a cosponsor of S. 256, a bill to amend title 10, United States Code, to establish procedures for determining the status of certain missing members of the Armed Forces and certain civilians, and for other purposes.

S. 356

At the request of Mr. SHELBY, the name of the Senator from Pennsylvania [Mr. SANTORUM] was added as a co-

sponsor of S. 356, a bill to amend title 4, United States Code, to declare English as the official language of the Government of the United States.

S. 440

At the request of Mr. WARNER, the name of the Senator from Kentucky [Mr. FORD] was added as a cosponsor of S. 440, a bill to amend title 23, United States Code, to provide for the designation of the National Highway System, and for other purposes.

S. 457

At the request of Mr. SIMON, the name of the Senator from Wisconsin [Mr. KOHL] was added as a cosponsor of S. 457, a bill to amend the Immigration and Nationality Act to update references in the classification of children for purposes of United States immigration laws.

S. 495

At the request of Mrs. KASSEBAUM, the name of the Senator from Wyoming [Mr. THOMAS] was added as a cosponsor of S. 495, a bill to amend the Higher Education Act of 1965 to stabilize the student loan programs, improve congressional oversight, and for other purposes.

S. 607

At the request of Mr. WARNER, the name of the Senator from North Carolina [Mr. FAIRCLOTH] was added as a cosponsor of S. 607, a bill to amend the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 to clarify the liability of certain recycling transactions, and for other purposes.

S. 615

At the request of Mr. AKAKA, the names of the Senator from Alaska [Mr. STEVENS], the Senator from New Jersey [Mr. BRADLEY], and the Senator from Florida [Mr. MACK] were added as cosponsors of S. 615, a bill to amend title 38, United States Code, to require the Secretary of Veterans Affairs to furnish outpatient medical services for any disability of a former prisoner of war.

S. 626

At the request of Mr. HATFIELD, the name of the Senator from Washington [Mrs. MURRAY] was added as a cosponsor of S. 626, a bill to amend the Watershed Protection and Flood Prevention Act to establish a waterways restoration program, and for other purposes.

S. 641

At the request of Mr. KENNEDY, the names of the Senator from Maryland [Ms. MIKULSKI] and the Senator from Indiana [Mr. LUGAR] were added as cosponsors of S. 641, a bill to reauthorize the Ryan White CARE Act of 1990, and for other purposes.

S. 650

At the request of Mr. SHELBY, the names of the Senator from South Carolina [Mr. HOLLINGS] and the Senator from Arizona [Mr. KYL] were added as cosponsors of S. 650, a bill to increase the amount of credit available to fuel local, regional, and national economic

growth by reducing the regulatory burden imposed upon financial institutions, and for other purposes.

SENATE JOINT RESOLUTION 31

At the request of Mr. HATCH, the name of the Senator from New Mexico [Mr. DOMENICI] was added as a cosponsor of Senate Joint Resolution 31, a joint resolution proposing an amendment to the Constitution of the United States to grant Congress and the States the power to prohibit the physical desecration of the flag of the United States.

SENATE CONCURRENT RESOLUTION 3

At the request of Mr. SIMON, the names of the Senator from Pennsylvania [Mr. SPECTER] and the Senator from South Dakota [Mr. PRESSLER] were added as cosponsors of Senate Concurrent Resolution 3, a concurrent resolution relative to Taiwan and the United Nations.

SENATE RESOLUTION 110

At the request of Mr. NICKLES, the names of the Senator from Nevada [Mr. REID], the Senator from New Mexico [Mr. BINGAMAN], the Senator from South Carolina [Mr. HOLLINGS], the Senator from New Jersey [Mr. BRADLEY], and the Senator from Maryland [Ms. MIKULSKI] were added as cosponsors of Senate Resolution 110, a resolution expressing the sense of the Senate condemning the bombing in Oklahoma City.

At the request of Mr. BIDEN, his name was added as a cosponsor of Senate Resolution 110, *supra*.

At the request of Mr. WELLSTONE, his name was added as a cosponsor of Senate Resolution 110, *supra*.

#### AMENDMENTS SUBMITTED

#### COMMONSENSE PRODUCT LIABILITY FAIRNESS ACT

#### ABRAHAM (AND McCONNELL) AMENDMENT NO. 597

Mr. ABRAHAM (for himself and Mr. McCONNELL) proposed an amendment to amendment No. 596 proposed by Mr. GORTON to the bill (H.R. 956) to establish legal standards and procedures for product liability litigation, and for other purposes; as follows:

At the end of the pending amendment add the following new title:

#### TITLE III—EQUITY IN LEGAL FEES

##### SEC. 301. EQUITY IN LEGAL FEES.

(a) DISCLOSURE OF ATTORNEY'S FEES INFORMATION.—

(1) DEFINITIONS.—For purposes of this subsection—

(A) the term "attorney" means any natural person, professional law association, corporation, or partnership authorized under applicable State law to practice law;

(B) the term "attorney's services" means the professional advice or counseling of or representation by an attorney, but such term shall not include other assistance incurred, directly or indirectly, in connection with an