

longer have the confidence they once had in our system. It seems clear unless we change that, we will undermine this institution and all other institutions of this democracy.

When people hear about \$50- and \$100,000 contributions, they sit back and say, well, my participation does not matter. Why should I volunteer when somebody can write a check for a quarter of a million dollars? Why should I send in \$50 or \$75 or \$100? It is going to disappear in the flood of money that is coming into politics.

We spend too much time raising money. We are losing our voters because of the money in the campaign, and it just is destroying the very fabric of our political system.

Now, what should we do? I think, one, we should make sure we do not rig the system to just give more power to those people who have money. The way I think we solve that is by picking an amount of money that the average citizen could participate in the political process.

I think there ought to be a \$100 bill, a piece of legislation which I will enter in the next several weeks which will limit contributions to \$100. I then want to put a tax on advertising, on television, radio and newspaper ads and use that money for a match to make that contribution about \$700 worth of cash.

Then we need to limit spending. We have to have enough so that a new person can challenge an incumbent. But we do not want to spend our entire lives chasing money and doing fundraisers rather than representing our constituents or maybe even spending some time with our family.

The political crisis that is here is one of confidence in the institutions of this democracy. My parents survived Hitler and fled the Soviet Union to come to the United States, not simply because of its economic success but because this was a country that guaranteed freedoms and provided for participation in its democracy. Young people and old people alike believe they can no longer access this democracy unless they have a political action committee, unless they have thousands of dollars to give.

Let us give this democracy back to the people. Let us limit campaigns to \$100 from an individual. Then I think we will find volunteers flowing back into the political system and participation of average Americans. This should not be a race about money. It ought to be a race about getting people into the system.

□ 1900

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DREIER] is recognized for 5 minutes.

[Mr. DREIER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gen-

tleman from Maine [Mr. ALLEN] is recognized for 5 minutes.

[Mr. ALLEN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

TAX CUTS FOR MIDDLE CLASS AMERICANS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland [Mr. EHRLICH] is recognized for 5 minutes.

Mr. EHRLICH. Mr. Speaker, I rise today in support of the Taxpayers Relief Act and to talk about the class envy and the class warfare and the strategies that the American people and the producers in this country are absolutely sick of. I want to talk about it in the context of three particular taxes that we will be debating tomorrow in great detail.

First the capital gains tax, Mr. Speaker. Cutting capital gains helps middle-class people, clear and simple. People who pay capital gains need the ability to understand that they should not be penalized for being successful in this society, Mr. Speaker.

Consider these important facts from the Congressional Budget Office: About half of all families in this country own assets such as stocks, bonds, real estate, and businesses that generate capital gains. The elderly, and this is bad news for the generational warfare types in this House, the elderly realize a disproportionate amount of capital gains.

In 1993, those over 65 in this country realized 40 percent of all capital gains, although they make up just 12 percent of the population. They also paid 18 percent of all capital gains taxes. A Joint Economic Committee report in 1993 found that one-third of all taxpayers reporting capital gains had incomes of less than \$30,000.

Why do folks in this country, who love to punish producers, who love to punish people who undertake risk in this society, why do they want to not index capital gains? Inflation is an unfair tax on producers in this country. To fight the indexation of capital gains, in my view, is grossly unfair.

The nonrefundable tax credit we have heard other speakers tonight talk about, this aspect of the child tax credit. Democrats claim the Ways and Means bill is unfair because it offers a nonrefundable credit to middle-income families. Over 18 million low-income families in this country receive a tax break already. It is called the earned income tax credit, and we spend \$26 billion on that earned income tax credit.

Now folks on the other side of the aisle say that low-income workers should receive another tax break because they pay FICA taxes. And I hope the American people are listening to this argument tonight and tomorrow and in the weeks ahead. Payroll taxes are different from income taxes.

Income taxes, which low-income workers do not pay because of the

earned-income tax credit, go to general revenues and are used for Government programs, for general revenue purposes. FICA taxes are earmarked for Social Security and Medicare. Revenues from FICA taxes go to the Social Security Trust Fund and are used to pay benefits under Medicare and Social Security.

Today, low-income workers, like all workers, are required to contribute to the Social Security system. They will receive all of what they pay into that system and more in the years ahead. And it is a very interesting difference between the parties when it comes to fairness, this concept of fairness.

The Democrats seem to define fairness as follows: Middle-income earners, in addition to financing the earned-income tax credit, should also subsidize the retirement and health benefits of low-income workers. In essence, they say it is unfair for the working poor to contribute to the Social Security and Medicare system which will return benefits to them when they retire.

Those of us on this side of the aisle define fairness as follows: All working Americans with kids deserve a tax break. Middle-income workers should not be responsible for subsidizing the payroll taxes paid by low-income workers. We all benefit from Social Security and Medicare, and we all need to contribute our fair share.

Last, the great class warfare attack of 1997, the alternative minimum tax. The AMT passed originally in 1986, Mr. Speaker, as part of the Tax Reform Act of 1986, with all good intentions to make sure that truly individuals wealthy and corporations could not avoid paying taxes, and I am fully in support of that have goal.

But I go to the factories, as many of us do, we talk to the small business people in the capital-intensive industries in this country, and they have got a problem with the alternative minimum tax. Like so many provisions of the Tax Code, the AMT has produced unintended consequences.

Let us be clear what the bill of the Committee on Ways and Means does not do in the way of alternative minimum tax. Under current law, the alternative minimum tax treats investment in business machinery and equipment as income rather than as an expense.

Under the proposal, it does not exempt the wealthy from paying taxes, it does not exempt companies from paying taxes. No companies with taxable income will be able to avoid paying taxes. We should all recognize this simple fact. Enough of class warfare. Enough of class envy. Let us go give a break to the producers and middle class of this country.

REPUBLICAN TAX CUT PACKAGE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Ms. WATERS] is recognized for 5 minutes.

Ms. WATERS. Mr. Speaker, the reconciliation spending bill that we just