region. We are the people who have to make the decision. It is not the EPA, it is not Carol Browner.

It is going to be something that is mandated, new standards, by the Federal Government, that according to the scientists who testified before our Committee on Commerce, the Committee on Science and other committees on both sides of the Hill, that there is no bright line which defines an improvement in human health. So why are we spending billions of dollars, costing millions of people their jobs, costing the economic recovery of this Nation at a time when we have no definitive reason to believe that there will be a positive impact?

And the President has said, wait a minute, take a look at our compliance. We are going to set these standards down but, with a wink and a nod, you do not have to obey them for years to come.

Why institute them? Why institute them? And if you do not have to comply, then why do we have them? And it is not the Federal Government that is going to force you to comply; it is those same local elected officials, the mayors, the county commissioners, the State elected officials, the Governors who are going to have to say, if my district all of a sudden, these hundreds of counties across this Nation, are going to be out of compliance, then we have to begin the process of setting up the standards. We will be the people that will have to make the decisions as to whether or not we issue building permits, whether we allow industry to expand, what we do about centralized emissions testing of our vehicles, and on and on and on.

So you are right, Mr. President. With a wink and a nod, you can say we are going to keep the environmentalists happy by seeming to make more stringent laws, but with a wink and a nod to our friends in labor, to our friends in industry, we will say, ''But you don't have to obey those rules.''

You cannot have it both ways. We in southwestern Pennsylvania have lost 155,000 jobs. We are beginning to come back. We are beginning to see a new investment by companies that want to come back to people with a good work ethic and want to create employment. We do not want that to be undone, and so we have introduced H.R. 1984. It will stop the EPA. It is a common sense bill. In the meantime, we will authorize money to study the problem, to build the PM–2.5 monitors and to take us forward with good science.

TAX RELIEF FOR MIDDLE CLASS WORKING FAMILIES

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

Mr. GUTKNECHT. Mr. Speaker, I want to talk a little bit tonight about tax relief, and particularly tax relief for middle class working families. All of us were home for about 10 days in our districts and most of us had a chance to meet with folks in community events. I was at Spam Jam in Austin, Minnesota, where we celebrate the world's greatest lunch meat. I was at 6 parades in my district. I got a chance to talk to a lot of people. What they told me was pretty simple. I think they are generally pleased with what we are doing in terms of balancing the budget, but frankly they do want some tax relief, they want it to be fair, they want it to be part of a balanced budget plan, they would like us to save Medicare.

I am happy to report tonight, Mr. Speaker, that we are doing exactly that. I want to talk a little bit about the differences in the debate that the American people are being subjected to about whether or not this tax relief plan that we are offering to the American people is fair.

☐ 2215

And I would suggest that there is a big difference in the debate, and the debate is between real and potential, real and potential. In fact, if you listen carefully to the debate, we are going to talk about real tax relief, they are going to talk about potential tax relief. They are going to talk about potential income, we are going to talk about real income.

And I do not fault completely our current Secretary of the Treasury, Mr. Rubin. He was not the first to come up with a concept of imputed income.

Now what is imputed income? And earlier we had one of our colleagues from Texas talk about a family that made $40,000. Now someone, if we had been able to, and sometimes it is rude to interrupt people and ask them to yield, but is that real income or is that imputed income? Because imputed income, as the gentleman from New Jersey [Mr. SAXTON] said earlier, includes potential rent that you could get from the house that you currently live in.

As a matter of fact, David Brinkley a couple of years ago opined about this issue. Imputed income is income that you might have had but did not. It is potential income.

For example, the example has been used several times about the young fire-fighter or the young policeman who earns $25,000 or $35,000 a year. Well, if he lives in his own home and could have rented his home out, actually then his real income might have been $40,000 or $45,000. If he has a vested interest in a pension plan, that would be part of his imputed income.

So if we are going to calculate people's income using imputed income, let us calculate the taxes.

But the real fact of the matter is that if you look at this chart that earlier was presented, nothing really changes with the tax bill in terms of who is going to pay the taxes. What this chart shows is that under the current tax formula the top 20 percent of taxpayers pay 63 percent of all the taxes paid in the United States. Under the new tax formula that we are proposing from the House, the top 20 percent will still pay 63 percent.

Now we are going to have this debate, and they are going to use imputed income, we are going to use real income. They are going to use potential taxes, we are going to use real taxes.

We should not even have this argument, and we are not going to ask the American people just to trust us and do not trust them. Trust yourself. And what I am going to invite people to do is to calculate the tax cut for themselves, and this is available now, I think, on the World Wide Web. We are going to make these worksheets available so people can calculate their own tax relief.

This is a very simple little work sheet: Number of children in your family under the age of 17; under our tax relief, the first year, 1998, you multiply times 400, and the second year and years after, you multiply it times 500. If you have two children it is worth $800 next year and $1,000 the year after. If you have a capital gain, if you earn more than $41,200, you multiply times 8 percent. If you have income, household income, of less than $41,200, you multiply times 5 percent. That is what you are going to save. And finally, if you have youngsters who are in their first 2 years of college, you multiply times a $1,500 credit.

Do the calculations yourself, but I can tell you this: If you are an average family in my district earning $32,500 a year with 2½ children, in fact let us just say 2 children, it is worth over $1,000 to that family.

Now that is real money that they can spend themselves or they can save for their own future.

So do not take our word for it, do the calculations yourself, and these are real tax cuts for real people, not potential tax cuts for potential income.

Finally let me just say there are additional benefits in this tax relief package, and you have choices as to whether you want to take the credit on higher education costs or you can take a $10,000 deduction depending on your situation. Penalty-free withdrawals from your IRA's for college expenses, exclusion of capital gains on a home up to $500,000; this is real tax relief for real families, not potential tax relief based on potential income.

REPUBLICAN TAX PROPOSALS PRIMARILY BENEFIT THE WEALTHY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized for one-half the time remaining before midnight as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, as you note this evening, some of my colleagues on the other side of the aisle,

some of my Republican colleagues, made reference to Treasury Secretary Rubin's report which was released over last weekend that illustrated very clearly how the Republican proposals primarily benefit wealthy individuals. In addition, Secretary Rubin expressed serious concern regarding the potential for the Republican tax cuts to explode the deficit, and I just wanted to mention this report again because I think it is significant. It says that only 38 percent of the tax cuts would be for middle-class families under the Republican House proposal while 55 percent of the tax cuts would go to the affluent.

Now President Clinton's tax cuts are more targeted to the middle class. Eighty-three percent of the tax cuts under his proposal would be targeted to the middle class, and only 10 percent would be targeted to the wealthy.

Now we are hearing all these statements from the Republicans about how these Treasury numbers are inaccurate, the Republican plan does give more money to the middle class. Unfortunately, these Republican arguments are without basis and they basically ring hollow. It is the Treasury numbers that examine the full 10 years of this balanced-budget agreement in their calculations. What the Republicans do is they only look at the few years in the agreement that they think favor them and then skew their numbers to make it seem that they are helping the middle class, and in fact they are not.

One of my colleagues, the gentlewoman from Texas [Ms. JACKSON LEE] mentioned the Congressional Research Service report which was issued on July 2, just last week, and this is a nonpartisan analysis. And what that report stated was that the Treasury office's numbers, the Treasury Office of Tax Analysis, and I quote, ''provides a more comprehensive measure more consistent with how economists would measure the bill's benefits to individuals in different income classes.'' They go on to state the OTA, the Treasury analysis, is a better representation of the permanent distribution.

So this Republican argument is baseless because the facts back the Democrats' argument. The Democratic tax plan primarily benefits the middle class, and the Republican scheme primarily benefits the wealthy.

I just wanted to use an illustration now, if I could, under the Republican tax scheme to show how a typical family is not really helped, and I use as an example here, as you can see on the chart, of Joe and Betty who do not fare well under this Republican proposal. Basically Joe cannot figure out why the CEO of his company is getting a $24,000 tax break under the GOP plan while he gets almost nothing. Joe's wife, Betty, works part-time and worries that she will get a pay cut and possibly lose her pension under the GOP plan because her boss may turn her into an independent contractor.

One of the things that the Republicans do not tell you is not only that the Republican plan does not provide much in the way of tax cuts to the middle class, but they also have these little provisions in the bill that change the definition of workers and their rights and whether or not they get minimum wage. And one of the things they do is to turn a lot of people into independent contractors, so they may lose a lot of the benefits that they now have.

Now Joe and Betty again, they have a daughter Susie who is headed for a community college in a few years, and she would likely face $750 in tuition costs under the Republican plan compared to the zero tuition under the Democratic alternative, because we are a lot more generous in what we do to help families pay for higher education.

Finally, little Joe Junior in this family of four and his sister would not receive a child tax credit under the Republican plan, even though both parents work and pay taxes.

Now meanwhile we have got this CEO here of the company where Joe and Betty work, and just to give you an illustration, Joe found out that they have a memo from their accountant that they project that this CEO was going to get a $24,000 windfall of extra income due to the Republican tax breaks. In addition, the CEO is thinking about how turning low-wage women employees like Betty into independent contractors is going to mean big bucks for the company and could mean a raise for him under the GOP bill. Of course Mr. CEO's gains are the country's losses because the Republican tax scheme will cause the deficit to explode.

I have a number of my colleagues here tonight that I would like to yield some time to to talk about what is going on here, but the bottom line is that the GOP plan is giving most of the tax breaks to wealthy individuals. The Democratic plan is aimed towards the working class, towards the middle class. That is what the Treasury report shows, and no amount of rhetoric on the other side of the aisle is going to change the facts as they exist.

I would like to yield now to the gentleman from Maine.

Mr. ALLEN. Mr. Speaker, I think the examples the gentleman gives are exactly right. Those examples do show that the benefits of the Republican tax cut plan go very much to wealthier Americans and that the Democratic alternative, those benefits, the President's plan, go to working middle class American families.

Now we have heard a lot of information tonight, and I want to go over some of that information. Two of the previous speakers referred to the Clinton Treasury Department numbers, and I want to talk about these numbers a little bit. One of them said Secretary Rubin developed these numbers, but the last speaker, the gentleman from Minnesota on the other side, was more accurate. He said, ''I do not fault Secretary Rubin, he was not the first to use those numbers.''

That is right. He was not the first. They were used in the Bush administration. For all of this talk of imputed rental income, this way of measuring the economic impact of tax cuts on families has been used for some period of time. It was used during the Bush Administration, it was used during the Reagan Administration.

In fact, those numbers, this approach was first developed by William Simon, Secretary of the Treasury, 1977. The Treasury Department has been using this analysis for 20 years. It was not developed recently, it was not developed to have anything to do with the Republican plan in this Congress or the Democratic plan. Twenty years the numbers have been used.

So why? Let us ask ourselves why all this talk of imputed income? Why all this confusing rhetoric?

Well, I submit the answer is very simple because of another chart that was put up earlier tonight by the gentleman from Georgia, and that chart said 76 percent of the benefits go to people earning less than $75,000 a year. But if that were true, I say to my colleague from New Jersey, he would vote for that bill, I would vote for that bill, all the Democrats would stand up and vote for that bill. It is not true.

Let us take an example. Let us suppose you have a family earning $30,000 to $40,000 a year in wages and salaries, and let us suppose they also have $100,000 in interest, in dividends, in investment income. How is that family categorized under the Joint Committee on Taxation numbers, the numbers relied on by the Republican side? They call that family a $30,000 to $40,000 family because they say all of their investment income is irrelevant, all of their interest income is irrelevant, all of their dividend income is irrelevant. We are just going to look at their wages and salaries.

That is how they do the math. It is completely bogus. The fact is when the gentleman from Minnesota stood up and said one side is talking about imputed income and one side is talking about real income, what he neglected to say was that real income just included wages and salaries, not dividends, not interest, not investment income. In other words they take all of the wealthy, many of the wealthy, and call the middle class, call them middle-income families, and it is not true.

So the question is who wins and who loses under the various plans. And let us for a moment forget about how we described family income. Let us just look at the middle 60 percent in family income. Let us take those at the bottom 20 percent in family income and set them to one side, and let us take those at the top 20 percent in income, set them to one side. Let us look at the 60 percent in the middle.

Well, under the President's plan, under the Democratic plan, 67 percent of the benefits of that tax cut go to those families, middle income working Americans, 67 percent of the benefit goes to them.

□ 2230

What about the House bill that was passed over our objection? Thirty-two percent of the benefit of the Republican House bill goes to those working families, 32 percent, less than half of the benefit that flows to middle America under the Clinton tax cut plan.

On the Senate side they do slightly better. Thirty-four percent of the benefits of the tax cut go to that 60 percent of Americans in the middle. Those are the cold, hard facts. That is why we have stood up as Democrats and said, if we are going to have a tax cut in this country, and we are, and we support a tax cut of the same size as those on the Republican side, but we are saying the benefit of this tax cut has got to go to working Americans, to middle-income Americans.

Mr. Speaker, I have just one other point I would like to make. I think we have to decide, is this tax cut bill fair. That is the first issue. The truth is the Democratic plan is fair and the Republican plan is not.

The second question is this: Is this plan fiscally responsible? What the House Republicans have done is they have indexed capital gains to inflation. They have backloaded IRAs. The effect of those two decisions is to explode the deficit in the outyears. After you get past 15 years, that second 10 years, this bill becomes fiscally irresponsible.

Today in the Washington Post there was a report that we now have driven the deficit, the annual deficit in this country, down to $45 billion; from $280 billion when the Clinton administration started, down to $45 billion. Almost all of that is the result of the 1993 tax cut bill, for which not one Republican voted.

The work has been done. We have balanced the budget. This is the wrong time to enact policies that explode the deficit in the outyear. The Republican tax cut plan is not fiscally responsible. It explodes the deficit. It is not fair to middle-income working Americans. We need to stand up for the Clinton plan, stand up for the Democratic alternative tax cut plan that passed this House, and I look forward to working with the gentleman from New Jersey [Mr. PALLONE] toward that end.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman. I think one of the points the gentleman is making that we need to stress over and over again is, when I was making reference before to this Congressional Research Service report that basically says that the Treasury Department report is the accurate one, and defies what the Republicans were saying tonight, what this Congressional Research Service report primarily is saying is that the Republicans are in effect pulling the wool over our eyes, because they are looking at how this tax cut is distributed under the 5-year plan rather than the 10-year plan. That is what we have to look at really, is the 10-year plan, because that is where these tax cuts are generated primarily to wealthy Americans in the latter part of that 10 years.

They are the ones who are really being tricky about this on the Republican side by not looking at the broader picture and at this plan over the 10 years. It is particularly true with capital gains and with IRA's, because those are the things where the benefits really increase at the latter end of that 10-year period. That is where wealthy people get most of the benefits and the average person does not. I think the gentleman is making a very good point.

Mr. Speaker, I yield to the gentleman from Arkansas [Mr. SNYDER].

Mr. SNYDER. Mr. Speaker, I thank the gentleman for yielding to me. I agree with the gentleman from Maine. This is not a question of is there going to be a tax cut. There is going to be a tax cut, it is going to be the same amount of money. The issue is what is the best tax cut for working middle-class Americans.

Of course, being from Arkansas, I am concerned about working middle-class Arkansans. There has been a lot of discussion about who is going to benefit the most under this plan. Every responsible analysis I have seen, looking at this plan in its totality over the next 10 years, clearly states that the President's plan and the Democrats' plan most helps working middle-class families.

Over the weekend I was really pretty outraged by some of the statements in the press made by Republican leaders in this country that somehow we Democrats advocating for working middle-class families were trying to turn a tax cut bill into a welfare bill. I would like to talk about real folks here for a minute.

I have a constituent who was kind enough to share with me her paycheck stub; you know, that thing that you get at the end of the month and it just gets your heart to beating fast when you realize how much money went to the government. We all go through this every week or every month.

This top portion is her particular paycheck stub. She and her family make about $14,000 to $15,000 a year, not a lot of money these days, but I have made it before; it is what a lot of us make when we are first starting out. This family has 2 children. One of our colleagues on the other side of the aisle earlier had a little chart about how to calculate the family tax savings, I believe was the way the chart was titled. He said just take the number of children and multiply it times two, by either the $400 or $500. You take this family here with two children and multiply it times two, and you come out with a $1,000 tax cut.

Under the Republican bill that passed out of this House with no votes or very few Democratic votes, this family does not qualify for that tax cut, so that chart was inaccurate. Why is that? It is because under the Republican tax bill that was passed, they do not consider the taxes that you pay that are called payroll taxes, those taxes that say, sometimes it says FICA, sometimes it says Social Security or Medicare, but their tax bill says no, those are not really taxes. We did not consider those taxes during the campaign when we were talking about folks who play by the rules and pay taxes. We did not mean this family, we meant the families we were thinking about.

So this family on that chart does not qualify for that tax cut. It is not advocating a welfare program for me to stand up for Arkansans who are in this situation and say this family and these kids also deserve a tax cut.

Another issue that came up a few minutes ago by one of our colleagues across the aisle, again going to the family tax savings chart, again talking about the second calculation you make is the number of kids in the first 2 years of college, and you multiply that times $1,500, that number of kids.

That all sounds good, but that is not what happens under the Republican tax bill, and both the Democrat version and the President's version are an improvement. Why does that not work? In Arkansas, and I know I am going to show my parochial interest, we have a lot of 2-year colleges: Foothill Technical Institute in Searcy County, Arkansas, and in White County, Pulaski Technical College in North Little Rock; I have several of them around the State that have tuitions, annual tuitions and fees of less than $1,500 a year.

Now, under the President's plan and the Democratic House version, if the tuition is $1,000, this family, those kids, say we have two kids in that college in the first 2 years, two times a $1,000, that is $2,000. If you did the Republican version, it is a 50 percent credit, so you are taking $1,000 tuition, two kids, $2,000, and 50 percent is $1,000. They only get half the credit.

If we say, well, that is okay, they can go to more expensive schools, but we are trying to stand up for working middle class families that may not have the resources to send their kids to more expensive schools. These are the schools that we work very hard in Arkansas for the last several years to develop a two-year college system. I know they are the schools the President has cared about when he came up with the HOPE scholarship program. It is just not fair that these families have to be left out of the full tax relief because they choose or are forced to send their children to less expensive schools.

Mr. Speaker, finally, if I might make a comment about the estate tax relief, I know for some of us that is less important than for others. In Arkansas we have a lot of farms. We also have a lot of small business folks. In estate tax relief, the ability to be able to pass the small business or farm on to your kids without being at risk of having to sell a portion to pay estate taxes is important to a significant number of Arkansans.

Under the Democratic versions of estate tax relief, for folks with small

businesses and farms the relief is immediate. So if a person, as soon as the bill was signed into law if a person were to die, their family would be able to benefit from the full estate tax relief. Under the Republican version, it does not kick in until the year 2007.

So to my friends my friends in Arkansas who have small businesses or farms, if the Republican version becomes law, all I can tell them as their tax adviser is do not die any time soon if you want full relief.

I appreciate the opportunity, I would say to the gentleman from New Jersey [Mr. PALLONE] to share my concerns about the Republican bill. I think we as Democrats have an obligation to stand up for working middle class families throughout this country, and by doing that we are not advocating welfare, we are only advocating what just about every candidate in America promised in the last election: tax relief for working middle class Americans, all of them, not just the chosen few.

Mr. PALLONE. I appreciate the gentleman's comments, Mr. Speaker. When he was talking before about the payroll tax, what the Republicans are trying to do is to just look at the Federal income tax and say, unless you are paying a certain amount in Federal income tax you should not get any tax relief. The gentleman pointed out very vividly how payroll taxes for many people, working people, are even a bigger chunk of what they have to pay to the Federal Government than the income tax.

When we think about other taxes, I know in New Jersey, for example, we have one of the highest property tax rates in the country. People are paying a tremendous amount of property tax. Why is it that all these other taxes, whether they be Federal, State, local, whatever they are, cannot be considered? People are paying them to the government.

I do not think we should really make a distinction whether or not it is income, payroll, State, local, whatever it is. It is still taxes that you have to pay. People need relief. Plus the thing that really bothers me is that when this balanced budget agreement was struck between the President and Congress it was made quite clear by the President that the tax relief had to go to middle-income people and primarily to working people. Now the Republicans are basically breaking the deal, the way I see it.

Mr. SNYDER. Mr. Speaker, this issue of payroll taxes is particularly important. Before I was elected to Congress I am one of the people in the last 15 years that has been considered self-employed. Again going back to small business folks, farmers are often for tax purposes self-employed, as are shop operators, gas stations, the mom and pop stores self-employed.

They can all tell us, they pay almost double the payroll tax, so this is a big concern to them when they hear that this Republican bill, the one that passed out of the House that the Republicans want signed into law, that they may not get the relief, that is of great concern to self-employed people.

Mr. PALLONE. Mr. Speaker, I yield to the gentlewoman from Connecticut [Ms. DELAURO].

Ms. DELAURO. Mr. Speaker, I want to thank my colleague, the gentleman from New Jersey [Mr. PALLONE], and it is a pleasure to join with my colleagues tonight.

I would just say that I think it is important to really refute the misinformation that is being given out by our colleagues on the other side of the aisle. When we talk about who was getting shortchanged, the critical question is who is going to benefit from the tax cuts. It is the Democratic view that working middle class families ought to have the bulk of that benefit.

Our colleagues on the other side of the aisle would say that they are doing that, but in fact if we examine their proposals, as some have done here tonight, we will find that working middle class families come up short. They get shortchanged on education, education initiatives, on the HOPE scholarship. They do not get any benefit for the third or fourth year of colleges, for a working family to be able to send their kids to college.

So we cannot, one, make the principle of education a universal for 14 years, rather than 12, which would be a bold, new idea, to make education universal for 14 years in this country.

Second, if you are a junior or senior, you do not get the advantage of any assistance at all.

They would shortchange those families who are working, who they claim are getting an earned income tax, and they somehow have lost the definition of what earned income is, because only if you earn an income are you eligible for the tax credit, and only if you pay taxes. My colleagues here tonight have described the payroll tax.

Third, whether it is estate tax or capital gains, it is targeted to middle class families. They are the families who are getting shortchanged. We have to ask ourselves, why they are get shortchanged in this equation, and who benefits? I think I want to point out just one area, and the contrast of why working middle class families are getting the short end of the stick from the Republican tax cut proposal, which is because, in just this one area, of the alternative minimum tax.

The alternative minimum tax was put into place in order for the richest corporations in this country to be able to have to pay taxes, the way everybody else does. It was done in 1986. It has been working fine all these years, though I will say in the last session of this Congress that the Republicans wanted to repeal and eliminate the alternative minimum tax, which would provide a $34 billion windfall to the richest corporations in this country.

So they lost that battle in the last go-round, but they have come back again this time to try it again. The public was outraged in the last Congress that they would do this, so that Joe and Betty, Dick and Jane, we are paying taxes every year, but the Boeings, the Exxons, so forth, would have to pay zero in taxes. So they have tried it again this time.

Why we see this shortchanging of working families here is because what they would like to try to do is one more time to try to scale back on the alternative minimum tax, so that it is not $34 billion windfall to the richest corporations in this country, but at the outset it is $22 billion, with ultimately the notion that you phase out the alternative minimum tax.

□ 2245

Once again, to provide the richest corporations in this country with the opportunity to pay no tax, where you will say to that struggling family that wants to send their youngster to a community college, and I have a lot of community colleges in the State of Connecticut where the tuition is $1,800, but you cannot have $1,500 because we cannot afford to do that.

We will only give you 900 because what we want to do with the balance of that money is to make sure that the Boeings and the Exxons can pay zero in taxes in this Nation. That is what this is about.

I will tell you, the American public is not being fooled, because 61 percent of Americans believe that the Republican Congress is out of touch with the American people. According to Newsweek magazine, that is before, at the 61 percent, it is before middle-class voters even learned that the GOP wants to give a big chunk of their tax cut to Donald Trump. That is a quote from the Newsweek article, not something that I made up, not something that a Democrat has made up but a third party that says this is the direction they want to go.

I will make one more comment because I think it is relevant to make. It is that family that is making the $23,000 a year, again in an article in the Wall Street Journal, certainly not a liberal Democratic newspaper, where it says the Republican tax-cut dog will not hunt. That is because a police officer in Speaker GINGRICH's district, paid $23,000 a year, family, has two kids, gets $1,668 in the earned income tax credit, offsets it, $675 in Federal taxes and yields a check for $993. The family pays $1,760 in payroll taxes. His family out of pocket, even after the earned income tax credit, would have to pay at least $1,100 in taxes. Mr. GINGRICH and company ''apparently believe giving that young police officer and his family the child credit is welfare.''

On the other hand, what the tax cut proposal on the Republican side would provide is for Mr. Bill Gates, richest man probably in the world when he gets his capital gains and his estate tax reduction and even a new IRA provision that would let him take a $4,000

tax break for educational expenses for his kids, and a $23,000-a-year rookie cop would be denied a tax credit for his kids.

What this tax bill is about is values. It is about priorities. It is what this Nation is about. The Republican tax program is not for working middle-class families in this country. The Democratic proposal, the President's proposal, is for working middle-class families. I am proud to join my colleagues tonight in this special order.

Mr. PALLONE. What we are hearing is Republican tax breaks are going to big business, special interests, wealthy families and all at the same time limiting tax cuts for education and families with children. It is just incredible.

I yield to the gentleman from Texas [Mr. LAMPSON].

Mr. LAMPSON. Mr. Speaker, I have been listening. This morning also we were listening to our colleagues across the aisle talk about in their 1-minute speeches, one by one come up and complain about the Democrats engaging in class warfare.

Our budget agreement that we voted on earlier this year called for $825 billion in tax cuts. Each party came up with a plan to distribute those tax cuts. The President presented a plan that would place our priority on giving those tax cuts to families to help them support their children, pay for college, and to provide for retirement. I proudly voted for that package, which I believed was a responsible way to cut taxes while we were making significant spending cuts along the way.

Our colleagues across the aisle created their own blueprint also for the distribution of these taxes. According to the office of tax analysis, as the gentleman has already spoken of a few minutes ago, this Republican plan would give two-thirds of the tax breaks, two-thirds to the wealthiest one-fifth of American wage earners.

By comparison, the President's plan would provide two-thirds of the tax breaks to the middle 60 percent of American wage earners. And they have the temerity to accuse Democrats of class warfare. If this is war, then let us examine who each side is fighting for.

The Republicans want to repeal the alternative minimum tax, as we heard also a few minutes ago, thereby helping the largest and most profitable corporations avoid paying income taxes. The Republicans accuse Democrats of class warfare.

Mr. Speaker, I told the people in the ninth district in Texas that if they elected me to Congress, I would fight for working families and not for special interests. I see an America today where our stock exchange continues to shatter records, but middle-class families still struggle to make ends meet.

I see those families and I want to help them. I cannot help but wonder if our colleagues across the aisle do not see those struggling families at all or if they are simply blinded to their needs. The priorities of the two political parties are crystal clear on this issue. I am proud to stand beside the families in Galveston, Texas, Beaumont, Texas, in Baytown, Texas who will use these tax breaks to improve their day-to-day lives.

If the Republicans want to call this class warfare, that is just fine. This is a battle of our national principles.

Mr. Speaker, I am proud to stand with the gentleman and our Democratic colleagues who are here tonight. I am proud to fight for tax relief for working families.

Mr. PALLONE. Mr. Speaker, I wanted to say quickly to the gentleman, and I think we all realize that we are not in the business of redistributing wealth, the bottom line is the economy is really good. Wealthy people, wealthy corporations are benefiting from it. You mentioned the stock market. We read these statistics every day.

All we are really saying is, this was the promise that was made when this balanced budget agreement was signed, is that we only have a limited pot of money. This tax relief should go primarily to working families. That is where the Republicans have broken the deal on this balanced budget agreement. It is just not fair.

Mr. Speaker, I yield to the gentlewoman from California [Ms. WOOLSEY].

Ms. WOOLSEY. Mr. Speaker, I thank the gentleman for this special order and allowing us to talk about the presidential tax proposal because it is absolutely crucial what comes out of this tax vote. It is absolutely crucial to our children and to our Nation. We know it. That is why we are here tonight in the middle of the night making sure that our public knows this.

What is the key to the President's proposal and why is it so much better than the proposal that the Republican majority put forth? Well, it is pretty simple. Our plan provides more tax relief for middle-income Americans. It is that simple. If you want to provide a huge April bonus to the very richest in the Nation, it is clear that the Republican bill will make that happen. If you want to explode the deficit in the coming years, then the Republican plan is actually the best choice.

If you want to go back to the good old days when huge profitable corporations paid no taxes, then the Republican bill is the one. That is what we are talking about tonight. But if you want to ensure that the bulk of the tax cuts go to the middle-income American and if you want to make sure that we provide our kids with a real tax break for education, then the President's plan is it.

After all, the Republican bill gives only a third of its tax breaks to middle-income individuals. We have said that tonight many times and in many ways. But the Democratic alternative provides more than two-thirds to the middle class.

Let me tell you something else that is absolutely urgent for all of us to understand. The Democratic bill gives our kids the tax breaks that they need to get ahead in school and get ahead in life. Almost every Member of Congress acknowledges on a bipartisan basis the importance of education. So why, why then does the Republican majority skimp on the key education tax breaks proposed by the President? Why does it break the deal that we reached on a bipartisan basis earlier this year?

Just listen to the differences between the two proposals. We have said them tonight. I am going to say them again. The President's plan provides a much larger tax credit for the first 2 years of college. The President's plan provides a significant new credit for lifelong learning.

Unlike the congressional plan, the President's plan covers all students, including part-time students, graduate students and workers who are improving their job skills. It makes student loan interest tax deductible once again. It provides tax incentives for the construction or rehabilitation of schools in distressed areas. It provides tax incentives for the private sector to donate much needed computer equipment for schools, something we all know we desperately need to prepare our kids for the jobs of the future.

It creates terrific Kidsave accounts that allow parents to make tax-free withdrawals for higher education costs. And let us look at the numbers for education. When you add it all up, the President's plan contains $45 billion for different education initiatives, while the bill we passed in the House, the majority's plan, the Republican plan, provides only 31 billion.

Now, I am a true believer that the best way we can move our Nation forward is by providing quality education and training to every person in this country. After all, when we strengthen education, we prepare our young people for jobs that pay a livable wage, jobs where they will be paying taxes. We prevent families from relying on welfare. We reduce crime and we reduce violence and we increase respect for our health, our environment and respect for each other. I am a true believer that our families need help with the costs of higher education and all education.

After all, the annual cost of a public college education increased from 9 percent of a typical family's income in 1979 to 14 percent in 1994. Middle-income families are struggling to pay these costs, and they deserve some real assistance.

But we cannot do this by talk alone. No, we can stand here every night and talk about taxes. But we have to get behind proposals that really make a difference for our kids. The President's plan is the one that does this. The difference between the President's proposals and those of the Republican majority are so significant that they could truly mean the difference between success and failure for our kids, the difference between economic success and failure in the coming years.

I have two words for those on the other side of the aisle who think that it is okay to pass a tax plan that provides most of its help to corporations and the super-rich and, too, to those who believe it is okay to pay lip service to education without getting behind the tax proposals that will give us the best education system in the world. Those two words are ''get real''.

The American people are crying out for real tax relief. They are crying out for real education benefits. They do not want us to abandon the bipartisan budget plan. They want us to live up to it. And that is what the President's plan does. It gives middle-income families what they need and deserve: lower tax bills and a big boost in their education.

We still have a chance to make a real difference in the lives of local families. Let us get 100 percent behind the President's plan. We will all reap the long-term rewards for our kids and our Nation. I thank the gentleman for the opportunity.

Mr. PALLONE. I want to thank the gentlewoman for stressing the education tax cuts and the ways to improve on the access to education, because again we are talking about very limited resources here in the context of this balanced budget plan. It certainly makes so much sense to spend that money on ways to provide access to higher education and relieve the burden, if you will, on families that are trying to put their kids through college rather than spend it on some of the other things that the Republicans have proposed. It just makes sense in terms of investing in our future. I want to thank the gentlewoman.

Mr. Speaker, I yield to the gentleman from Illinois [Mr. DAVIS].

Mr. DAVIS of Illinois. Mr. Speaker, I thank the gentleman for yielding to me. Listening to this debate reminds me of Victor Hugo, who once said that there is always more misery among the lower classes than there is humanity in the higher. It seems to me that the Republican tax bill further promotes the misery and suffering of the lower class and illuminates the inhumanity of the higher.

It is true that the Republican tax bill takes from the poor and gives to the rich. This bill embodies the very essence of the Robinhood concept. Only it is Robinhood in reverse; take from the poor and give to the rich. I agree with those who suggest that this bill is bad for America.

□ 2300

The Republican tax cuts make the wealthy wealthier and the poor poorer.

The New York Times said of this cut that the Republican tax scheme unfairly benefits the top 5 percent of income earners by providing them with over 50 percent of the tax cuts. It showers tax cuts on the Nation's wealthiest families. It actually shortchanges the citizen, as we have heard, who wants to go to a community college.

I believe that it is clear that the Democratic plan rewards the working class while the Republican plan rewards the wealthy. I stand for those who stand with the working people of America. I agree with those who believe that we should start where the people are and move from there. I thank the gentleman for the opportunity to be here with him.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman. I think we have made the point quite clearly tonight that Democrats are not talking class warfare. What we are saying is with the limited amount of resources in the tax cuts that are available under this balanced budget plan, it certainly makes sense to provide the tax cuts in ways that are going to help the average family, the working family and invest in the future so that there are opportunities, whether it is education or whatever it happens to be.

It makes no sense to just shower most of these tax cuts on wealthy individuals or big business, because it will just not help the country in the long run. So I appreciate the gentleman's comments.

Mr. Speaker, I yield to my colleague from Michigan.

Mr. STUPAK. Mr. Speaker, I want to thank the gentleman for yielding. I was in my office catching up on some mail and signing some letters, and I listened to the speakers in the previous special order and the beginning of this special order, and I was so pleased to see so many of our Democratic freshmen here, the gentleman from Arkansas [Mr. SNYDER], the gentleman from Illinois [Mr. DAVIS], the gentleman from Texas [Mr. LAMPSON], and the gentleman from Maine [Mr. ALLEN] joining with us here.

Something is sort of lost in this whole debate here. I remember when I came in in 1993 with the gentlewoman from California [Ms. WOOLSEY], our concern then was the budget deficit and how big it was. It was $293 billion. I remember that first year, our first year here in Congress, still unsure of what had to be done and procedures of the House, but we were very concerned about reducing the deficit. It was about $289, $293 billion.

We came up with the world's largest deficit reduction plan. Our friends on the other side of the aisle would like to call it other things, but it was the largest deficit reduction plan. I remember being in this Chamber on a very long August night trying to get that package through; and we pushed it through, strictly Democratic votes, and we did it by one vote. It went to the Senate and they passed it eventually by one vote. In fact, the Vice President broke the tie.

We promised in 1993 we would lower that deficit, and we were at $293 billion when we came in. And 4½ years later we are down to, now the latest prediction is we will be at $45 billion on September 30 when we close this fiscal year. How did we get there? It was because the Democrats came together with a Democratic President, and we did a tough vote. We lost some Members over that and we are now in the minority, but it was the right thing to do for the country.

I think the thing that is lost in this whole debate is how did we get from $293 billion on the verge of balancing the budget? I think that has often been lost. And we as Democrats should take credit for standing up, taking the tough vote. I remember all the predictions: We will throw this country into complete chaos, economic depression, massive unemployment, there would be rioting in the streets. And the economy has gone crazy. It has given business a shot in this administration, a shot of confidence in the U.S. Congress that we knew what we were doing; that we are finally going to get this deficit under control.

And we have done it. I think in this whole debate we have to remind ourselves how did we get to the verge of balancing the budget. And many of us, while we may have voted for the President's plan to give a tax break, many of us feel strongly that we should finish the job. In less than 12 months we could finally balance this budget and then give the tax breaks.

I may have only been here 5 years, but I know in the U.S. Congress tomorrow never comes. We are always worried about today. And we are spending money with these tax breaks that we do not have. But we are predicting a robust economy for the next few years. So if we are going to do tax breaks, they must be so specifically focused because, again, the gentlewoman from California knows that when we came here in 1993, what was it, the rich were getting richer, the poor were getting poorer, and we in the middle class were getting squeezed.

So even with the bill put forth by the Democratic Party, it is a very targeted bill, targeted to help those people who need the help, not give away the money, not spend money we do not have. We have done it over 5 years with a very controlled fiscal policy. We must continue it and it must continue in any kind of tax breaks.

Now, if I can go to the First Congressional District of Michigan, which I proudly represent, that is the north half of Michigan, I will tell my colleagues the median family income in my district is $27,482. In my poorest county, Keweenaw County, it is $18,459. That is the median income. And these are the folks we are trying to help. My State, the State average is $36,562. Again, my congressional district, the average is $27,482. So there is a big difference. I have a very rural, sparsely populated district.

So take a person or family income of $27,000, or let us be realistic here, a working mother, a mother with two children, who probably has an annual salary of $17,000 or $18,000. She receives $2,316 from the earned income tax credit last year, $2,300. Remember, that was

in the deficit reduction package we did. We helped out those who needed help; $2,300 she receives.

Under the Democratic bill that we passed earlier, she would get $600 from the child credit for 1998, 1999 and 2000, in addition, to her earned income credit. So she would get about $3,000. This is a mother, two children, trying to work and stay off welfare. So we are going to give her approximately $2,900.

Under the Republican bill, what would she get? Nothing. Nothing. In fact, she loses money because they take money away under the earned income tax credit because she already has an earned income tax credit. The $600 she would have received, they take away. The poor get poorer and the rich get richer. We in the middle class get squeezed.

How about a community college student? We were talking about education, the gentleman from Illinois and others did. Let us take a college student who completes his first year of college. Tuition in my district is about $1,400 a year. Parents making $75,000 a year; under the Democrat bill, his parents would have received for that first year of college tuition about $1,100 in tax credit for his community college. He would be eligible for 20 percent tax credit for tuition costs in his 3d and 4th year.

Under the Republican bill, what do they receive for sending their son to community college for $1,400 a year annual tuition? He would receive $800, not the 1,100 we would give, and the third and fourth year they get nothing. There is nothing there. What do they do for the 3d and 4th year if they want to get a 4-year degree?

So these proposals we speak of, the tax breaks, have to be very targeted, very specific, and be real to the people we represent. That is what I think the Democrat plan does. We do not want to see the rich get richer but we hope they would help us out.

We took the tough votes, and I just wish that we would just finish balancing the budget and if there is money left over, give some tax breaks. But if we are going to give these tax breaks, then let us make sure the folks who need the helping hand, not a handout but a helping hand, get a little help. We are a rich country, we are doing well, the economy is doing well. Can we not help out the folks who need a little extra?

These figures about median family income, that is my district. I have the top half of Michigan, 43 percent of Michigan. It is a large State with a median income of only $27,000. That is what we are talking about. These are not folks who have all kinds of stocks in the stock market, do not have to worry about capital gains tax or estate taxes over $600,000. That is just not the folks I represent. And I would hope those are the folks we help out instead of the rich getting richer and the poor getting poorer and the middle class getting squeezed.

Again, as I say, I was down writing and signing some letters and I could not help reminding myself that 1993 was pretty bleak around here. We took the tough votes and we are on the verge of balancing. Let us balance this budget and worry about the tax breaks later, but if we are going to do it, let us be very specific for the middle class.

I thank the gentleman from New Jersey for all his hard work in this area, and the rest of my colleagues joining me here tonight, and I enjoyed the opportunity to discuss this tax package and where we have been and where we are now.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman from Michigan for those remarks and really bringing home how this Republican proposal impacts the average American and why the Democratic alternative is so much better.

I will end with this. I want to thank all my colleagues for participating in the special order tonight and really urge that my Republican colleagues will come along to the Democratic alternative and support it. It is not too late. We are in the process of doing the budget reconciliation now and certainly hopefully we can come together on a tax package that benefits the average working American.

TAX CUTS

The SPEAKER pro tempore (Mr. CHRISTENSEN). Under the Speaker's announced policy of January 7, 1997, the gentleman from Mississippi [Mr. PARKER] is recognized for the remaining time before midnight as the designee of the majority leader.

Mr. PARKER. Mr. Speaker, I appreciate the opportunity to be able to come before the House and discuss some issues of importance, and I must tell my colleagues that I have enjoyed listening to my colleagues over the last hour talk about their view of the tax situation that we have in this country and what their views are as far as cutting taxes.

I appreciate the fact that they are now in a position and their party is in a position where they are supporting tax cuts. That means a lot to me. That is very different than what we had experienced in the past. But I also think that it is very important that people understand exactly what we are talking about as far as the tax cuts that the Republicans are presenting.

Now, my intention tonight is to talk about the death tax and the repeal of the death tax, but for all my friends on the other side of the aisle who are discussing tax breaks and how they feel they should be done, it is very important that we talk about the facts about the taxes. They are all honorable people. They believe strongly in their views, and I can appreciate that, but let us talk seriously about what is exactly happening.

I have to tell my colleagues that I think the average American in this country understands that people who pay income taxes should get a tax cut if we are going to have tax cuts. Now, there has been a lot of talk about this class warfare thing. And I heard some of my colleagues say we do not want class warfare, we do not want to create any types of problems as far as the different socioeconomic classes in this country.

Even though they do not intend to do that, that is exactly what they are doing when they start playing this game as far as taxes. Because what they do not say is this: In 1972 we had a Republican President by the name of Richard Nixon, who began a program called reverse income tax. It has since been renamed EITC, the earned income tax credit. It was a wealth redistribution program, which was an odd thing for a Republican to do, but Richard Nixon was not a strong conservative; he was somewhat liberal in a lot of areas. So he determined that he would have and present a program that was referred to as reverse income tax.

What they did was they took individuals who were at the poverty level and that paid no income tax and returned money to them that they had not paid. That is EITC. Those people who are getting EITC, they were getting it then and they are still getting it today. That was 25 years ago. They are still getting the earned income tax credit. People who do not pay income tax are receiving a check from the Federal Government for taxes they never paid, and they get that money every year at tax time.

Now, I am not going to argue that point. Even though I am not a fan of EITC, I will not argue that point. But we have watched the Federal Government take money from people for no reason. We have seen the Federal Government take money and waste it, trillions of dollars. Those individuals have worked and earned that money and they have sent it to Washington. And now we have Members of the other party, Members across the aisle who are saying, hey, what we want to do is we want to give even more money to those that do not pay income tax.

Well, I think the average American in this country believes that if they pay income tax, it is time for them to get a break. It is time for the Federal Government to realize that they have been paying the bill; that they have been paying income tax for years and they have not gotten a break. It has been 16 years since they have gotten any type of break in their income tax.

So let us be clear about what we are talking about. We are talking about individuals who pay income tax getting a tax break.

□ 2315

We are not talking about individuals who do not pay income tax. They are still going to receive their EITC, and people need to realize that. We need to move away from this point of saying we want the working poor to get a tax