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Senate

The Senate met at 12 noon and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The PRESIDENT pro tempore. Our guest Chaplain, Father Paul Lavin, pastor of St. Joseph's on Capitol Hill, Washington, DC, will now give the prayer.

The guest Chaplain, Father Paul Lavin, offered the following prayer:

In Psalm 103 David sings:

Bless the Lord, O my soul
and all my being bless His holy name.
Bless the Lord, O my soul
and forget not all His benefits.
He pardons all your iniquities,
He heals all your ills.
He redeems your life from destruction,
He crowns you with kindness and compassion.
He does not always chide,
nor does He keep His wrath forever.
Not according to our sins does He deal
with us,
nor does He requite us according to our
crimes.
For as the heavens are high above the
Earth
so surpassing is His kindness toward
those who fear Him.
As far as east is from the west,
so far has He put our transgressions
from us.

Let us pray.

Almighty and eternal God, You have revealed Your glory to all nations. God of power and might, wisdom and justice, through You authority is rightly administered, laws enacted, and judgment is decreed. Let the light of Your divine wisdom direct the deliberations of the Senate and shine forth in all the proceedings and laws formed for our rule and government. May they seek to preserve peace, promote national happiness, and continue to bring us the blessings of liberty and equality.

We likewise commend to Your unbounded mercy all citizens of the United States, that we may be blessed in the knowledge and sanctified in the

observance of Your holy law. May we be preserved in union and that peace which the world cannot give; and, after enjoying the blessings of this life, be admitted to those which are eternal.

We pray to You, who are Lord and God, for ever and ever. Amen.

PLEDGE OF ALLEGIANCE

The Honorable PAT ROBERTS, a Senator from the State of Kansas, led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDING OFFICER (Mr. ROBERTS). The acting majority leader is recognized.

SCHEDULE

Mr. THOMAS. Mr. President, today the Senate will be in a period of morning business until 2 p.m. Following morning business, the Senate will resume consideration of the Interior appropriations bill. As a reminder, cloture motions were filed on Friday on S.J. Res. 33 denouncing the offer of clemency to Puerto Rican terrorists and on the Hutchison amendment regarding oil royalties. These cloture votes have been scheduled for 5 p.m. today and may be followed by additional votes on judicial nominations. It is hoped that action on the Interior appropriations bill can be completed by tomorrow and that the Senate can begin consideration of the bankruptcy reform bill.

I thank colleagues for their attention.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 2 p.m., with Senators permitted to speak therein for up to 10 minutes. Under the previous order, the time until 1 p.m. shall be under the control of the distinguished Senator from Wyoming, Mr. THOMAS.

SENATE CHALLENGES

Mr. THOMAS. Mr. President, as was noted, there are 2 hours of morning business. My associates are going to undertake for the first hour to talk a little bit about the challenges that we face over the next month, 2 months. By the end of this month, of course, we are to have completed the appropriations, and we will be moving forward with that. We will be dealing with the administration and with the President on their completion. We hope that it will not end up in a closing down of Government but, rather, finding some consensus as to how we deal with our budget for next year.

We are challenged by different philosophies, of course, as to what that spending ought to be; we are always challenged by a difference of view as to what the priorities are. That is the nature of our body.

So, Mr. President, I would like now to yield to my friend, the Senator from Arkansas, for 15 minutes.

The PRESIDING OFFICER. The distinguished Senator from Arkansas is recognized.

Mr. HUTCHINSON. I thank the Chair.

TAX RELIEF

Mr. HUTCHINSON. Mr. President, I rise today to address for a few minutes the tax relief package that the Senate passed before the August recess.

I had the opportunity during the August recess to travel much of Arkansas.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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I was in 27 counties in Arkansas in about a month. So we were very busy. In each one of those counties there were opportunities for people to express their opinions and to talk about issues that were of concern to them. We heard much about the farm crisis. I know the Presiding Officer has been very involved in trying to fashion a farm policy that is going to allow family farmers to survive, be viable, and has been very involved in the ag policy of this country. We have heard a lot of concerns about agriculture.

I also heard a lot about the tax package, and there were a lot of questions. I want to take a few minutes today to talk about what I heard and what I shared about the tax relief package that we passed in the Senate and the conference that was agreed upon with the House. I think it is responsible and provides much-needed relief for the American taxpayer.

I think that is the first thing we have to realize—how much there is a need for tax relief. People say, well, the economy is booming; we are doing fine; people are fine; no one really wants a tax cut. I think the reality is far different.

Under the Clinton administration, taxes have risen to the highest level in peacetime history—almost 21 percent of the gross domestic product. When you compare that to the 1950s and the Eisenhower years, the tax burden upon the American people measured—there are lots of ways of measuring “tax burden,” but one of the most helpful, I think, is in terms of the gross domestic product. At that time, it was about 15 percent of GDP; it is now 21 percent of GDP. And it took that last leap when Congress passed and the President signed the 1993 tax hike.

When we are talking in terms of the tax relief package, the \$792 billion—and for a farm boy from north Arkansas that is a lot of money, \$792 billion—it is over 10 years, and when you realize that what we are doing is rolling back the tax burden on the American people by a grand total of 1 percentage point of GDP; we would take it from about 21 percent to about 20 percent, there is nothing draconian—an overused word these days—there is nothing irresponsible about the tax relief package that was passed by the House and Senate.

According to the Office of Management and Budget, total Federal receipts amounted to 19.9 percent of GDP in 1998 and will be 20.1 percent of GDP in 1999.

Now, in Arkansas, that amounts to about \$7,352 in taxes per capita, in 1998.

In a State such as Connecticut, it is about twice that; \$15,525 was paid in taxes for every man, woman, and child in Connecticut. It was Ben Franklin who said a penny saved is a penny earned. I think maybe we could adjust that motto and say: A dollar earned is 38 cents spent by the Federal Government. The typical American family sees 38 percent of its income paid in taxes, as opposed to 28 percent of its in-

come for food, clothing, and housing and only 3.6 percent that goes to savings.

I believe at a time of surplus, it would be unthinkable, it would be unconscionable for us not to allow the American people to keep more of what they have worked so hard to make. As Ronald Reagan once remarked: The taxpayer is someone who works for the Federal Government but doesn't have to take a Civil Service exam. When we think about the increasing percentage of our income going to taxes, that is, unfortunately, more true today than it was when President Reagan said it. The American people are laboring under a heavy burden of taxation and an intrusive Tax Code and tax system.

There are many provisions in the tax relief package. I want to address two that are particularly compelling. One is the marriage penalty tax.

Approximately 42 million American couples, including 6 million senior citizens, must pay an average of \$1,400 extra in taxes for simply being married. The marriage penalty punishes in two ways. It pushes married couples into a higher tax bracket, and it lowers couples' standard deduction. So two married income earners with combined income must pay their income tax at a higher rate with a lower deduction than they would if they were two single people. It is unfair. It is wrong. Most Americans are absolutely perplexed why such a quirk in the Tax Code would be allowed to continue.

Keep in mind, it is not a one-time penalty. Under our tax system, marriage is not a freeway; it is a toll road. For 10 years of marriage, couples must pay an average of \$14,000 extra; for 20 years, couples must pay \$28,000 extra. The tax relief package that passed would finally achieve equity and fairness by eliminating the marriage tax penalty.

The other aspect of the tax relief package we passed that I think is especially helpful and important and about which people feel strongly in Arkansas is the death tax. Small business owners and farmers can lose their lives and all they have saved for their children because of death taxes. Since the value of a business is added to the estate and taxed after exemption, sometimes as high as 55 percent, many small businesses and farms must be sold in order to pay the death tax. It is wrong. Just as the marriage penalty, it is something we should not allow, it is something we should not tolerate, and it is something we have the ability and capacity to change this year. It is a form of double taxation. The most obvious inequity is the death tax.

It also doesn't make a lot of sense. It taxes investment and savings. It taxes the American dream. Part of the American dream is, if you work hard and save and invest well and are able to accumulate something in life, you will be able to pass that on to your children and your grandchildren so they can start their lives with better prospects

than what you did. It is not all of the American dream, but it is part of the American dream. The death tax is absolutely contrary to what we hold out as being something Americans should strive toward—investment, savings, building for the future.

Right now, the survival rate for a family farm from the first to the second generation is only about 30 percent. The odds are against a family farmer being able to pass along that farm to their children or grandchildren. I know our farmers are working hard, and these are difficult times for them. We keep having emergency bills to help alleviate the problems, but they are kind of a Band-Aid solution. We have one the Senate passed before the August recess.

Eliminating the death tax is something we can do that will permanently benefit agriculture and farmers in this country. Only a fraction of 1 percent of small businesses make it through to four generations. Just as the family farm, which is, in effect, a small business, other small businesses are also having a difficult time surviving and certainly being passed on to future generations.

Consider the case of Clarence who owns a farming and lumber business in North Carolina. He provides jobs to 720 people in his community through three small farms, a fertilizer and tobacco warehouse, and a small lumber mill. His family has worked hard for four generations to build this business to what it is today. All of that may well be lost when Clarence dies and his family is faced with a huge Government death tax bill. Clarence has worked hard to try to reduce the burden of the death tax. He slowed the growth of his business. He has hired lawyers. He has purchased life insurance. He has established trusts—all with the hope that he could create a plan to enable his children to keep the family business when he dies. All of that work and planning still may not be enough.

Clarence figures that his son will owe the Federal Government about \$1.5 million upon his death, an impossible amount to pay for a man who makes only \$31,000 a year. His son will almost certainly have to sell all or part of the business in order to pay the consequences of the death tax. Over four generations, Clarence's family businesses have been whittled down to a sliver of what they once were.

Then consider the case of Mr. Kennard, whose spirit of free enterprise is being stifled by the death tax. He owns a small septic tank company in Virginia. He began his business in 1963. Today, he employs 15 people, including his son and daughter who have worked with him since they were teenagers. His son runs one of the businesses and takes home about \$30,000 a year, hardly enough to pay the \$2 million bill the Government will hand him when his father dies.

Death should not be a taxable experience. In order to reduce the estate tax,

Mr. Kennard has stopped expanding his businesses and is considering transferring shares of his business to his children now rather than wait until his death. He would like to invest in insurance and put some of his money back into the business, but it doesn't make sense when his family will have to pay exorbitant taxes on any new appreciation. In fact, Mr. Kennard may have to liquidate one or two of his businesses in order to pay the death tax on the remaining businesses.

The tax refund bill would provide relief by lowering the 5-percent surtax on estates and replace the unified credit with the unified exemption of \$1.5 million. We would ultimately be rid of the death tax altogether. It is something we should do. It is something we have within our power to do. We have passed it. We will send it to the President. It is our hope, still, that the President will change his mind and not veto this very important legislation.

There are many other important provisions in the bill as well. People say: Why spend your time on tax relief when the President said he is going to veto it? Because it is important, because it is the right thing to do, because our responsibility to our constituents is not what the President may or may not do. I recall well my early years in the House when we passed welfare reform and had to send it to the President not once, not twice, but three times, before the President finally decided the American people wanted welfare reform. He signed an important piece of reform legislation that has transformed welfare in this country and cut the rolls in half in State after State, including my home State of Arkansas.

I hope the President will reconsider, and I hope the American people will let us and the administration know how important tax relief is. When they understand what is in it, they do support it. In 27 counties in Arkansas, I did hear some concerns, primarily because of the myths that have been perpetrated about this tax relief bill.

One of the concerns was the myth that this tax relief bill somehow trades debt reduction for tax cuts. The fact is, the budget and the tax relief bill we passed will reduce public debt by 60 percent and achieve over \$200 billion more in public debt reduction than the President's plan over the next 10 years. It is not a matter of either/or. It is not a matter of whether you are going to have debt reduction or we are going to have tax relief. We can and should have both.

Another one of the myths people are concerned about, and understandably concerned, is that somehow, if you pass a meaningful tax relief bill, as we did, it is going to erode and eat into the Social Security surplus. In fact, that is nothing but a myth. We would lockbox Social Security. We would not touch any of the Social Security surpluses, and we shouldn't. We should not perpetrate the wrong that has been done

by previous Congresses by dipping in and using those revenues which are designated and should be designated for Social Security only.

Then there is, perhaps, one of the greatest myths of all; that is, the tax relief bill will primarily benefit the wealthy. This tax relief package would provide broad-based tax relief. It cuts every bracket 1 percent. That is not much. But it cuts across the board of tax brackets by 1 percent. It doesn't take somebody trained in math to figure out that if you are in the 15-percent tax bracket and you lower it from 15 to 14 percent, it is a much bigger personal tax cut than for somebody who is in a lower tax bracket who also sees only a 1-percent reduction in taxes.

The fact is that this tax relief package benefits low-income earners in the lowest tax bracket more than any other taxable group. We not only lower the rate, we expand the bracket to include yet more hard-working Americans.

In a State such as Arkansas, where we have one of the lowest per capita incomes, lowering the tax by even 1 percent for the lowest tax bracket has a significant benefit for hard-working Arkansans and hard-working Americans.

One of the other myths I heard while I was traveling across Arkansas was that there was concern that somehow these surpluses might not become reality. Conservative Arkansans who look at the Congressional Budget Office projections a decade out, I think, are right to say: What happens if, in fact, the surpluses don't become reality? Are you going to give all of this back in tax cuts? And are we going to go back up in deficit spending?

I was glad to be able to report that there was an important provision including a trigger—maybe it is better to call it a safety valve—that ensures that if the surpluses do not become reality, the tax cuts don't kick in. They don't become reality either. That, I think, is the ultimate fallback to ensure that we don't return to the big spending, red-ink, deficit spending ways of the past.

The bottom line is that in Arkansas 683,741 people would have tax reductions under this bill. That is, 750 million Americans would see their tax bills reduced. It is not something targeted for the wealthy, but it is something that would benefit every tax-paying American.

Opponents of tax relief insist that money must be left on the table in the name of debt reduction. The reality is that if you leave it on the table in Washington, it will be spent.

Therein is the great divide philosophically between those who believe the American people can better decide and determine how they ought to spend what they have earned and what they have worked for than people in Washington, DC—Government officials and bureaucrats in Washington. For those

who believe we have to keep that money up here because we have to reserve it on the table for more spending programs because, truly, wisdom is found here inside the beltway, we reject that. I reject that.

I ask my colleagues to request of the President his reconsideration of what is desperately needed for the American people—lowering that tax burden from 21 percent to 20 percent. There is nothing too dramatic nor too drastic about it, but it is a small step in providing the American people the tax relief they deserve and they desire.

I thank the Chair.

I thank Senator THOMAS for providing this time and this opportunity to discuss what we have done in the area of tax relief.

I yield the floor.

Mr. THOMAS. Mr. President, I think the Senator from Arkansas stated very clearly the strong feeling that I have received from folks in Wyoming. As I went around as well, when I first talked about tax relief, people kind of rolled their eyes. But when you start talking about the specifics of it—estate taxes and marriage penalty taxes—when you talk about the kinds of things that are there to encourage retirement funding and educational funding, you really get a great deal more interest in it.

I think the Senator pointed out clearly the real philosophical difference. If the money is here, it will be spent for increased government and increased programs rather than going back to the people who really own the money.

I thank the Senator.

PRIVILEGE OF THE FLOOR

Mr. THOMAS. Mr. President, I ask unanimous consent that privilege of the floor be granted to David Stewart, an intern in my office, during the course of morning business.

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

Mr. THOMAS. Mr. President, I yield to the Senator from Iowa 10 minutes.

The PRESIDING OFFICER. The distinguished Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I thank the Senator from Wyoming for yielding.

Even though I am not going to speak on the issue of taxes, I just heard the remarks by the Senator from Arkansas. Obviously, voting for that bill was difficult. I agree with the statements and plead with the President to sign the bill and give the people back some of the money or let them keep the money rather than running it through Washington. We are overtaxing the people at the highest level of taxation in the history of our country.

NURSING HOME INDUSTRY

Mr. GRASSLEY. Mr. President, I chair the Committee on Aging. We