

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

UNANIMOUS-CONSENT
AGREEMENT—H.R. 4818

Mr. MCCONNELL. Mr. President, I ask unanimous consent that following consideration of the tax conference report, the Appropriations Committee be discharged from further consideration of H.R. 4818, the Foreign Operations appropriations bill, and the Senate now proceed to its consideration; provided that all after the enacting clause be stricken and the text of S. 2812, the Senate Foreign Operations appropriations bill, be inserted in lieu thereof; the amendment be considered as original text for the purpose of further amendment with no points of order waived; provided that the only first-degree amendments in order be managers' amendments agreed upon by both managers and the following list that I send to the desk; provided that the amendments listed as "relevant" be considered as related to the bill or the subject of foreign affairs.

I further ask that all listed first-degree amendments be subject to second-degree amendments that are relevant to the first-degree amendments to which they are offered.

I ask consent that following the disposition of amendments, the bill, as amended, be read a third time, and the Senate proceed to a vote on passage, without intervening action or debate; in addition, I ask consent that following passage, the Senate insist on its amendments, request a conference with the House on the disagreeing votes of the two Houses, and the Chair be authorized to appoint conferees on behalf of the Senate.

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

The list of amendments is as follows:

FOROPS AMENDMENTS

Grassley, Export Bank Funding; Grassley, VISA; Domenici, Relevant; Chafee, Relevant; Ensign, Relevant; Ensign, Relevant; Ensign, Relevant; Lugar, Sudan; Lugar, Relevant; Kyl, U.S. Policy of WMD.

Coleman, Israel; Frist, Relevant to any on list; Frist, Relevant to any on list; Frist, Relevant to any on list; McConnell, Relevant to any on list; Smith, Israel.

Bayh, Relevant; Biden, Relevant; Biden, Relevant; Biden, Relevant; Bingaman, Relevant; Boxer, Relevant; Boxer, Relevant; Byrd, Relevant; Byrd, Relevant; Byrd, Relevant to list.

Cantwell, Middle East Broadcasting; Cantwell, Global Hunger and National Security; Corzine, Relevant; Daschle, Relevant; Daschle, Related; Daschle, Relevant to list; Daschle, Religious Freedom; Dayton, Afghanistan; Dodd, Relevant; Dodd, Relevant.

Durbin, AIDS; Feinstein, Relevant; Har-kin, Ex-Im Bank; Lautenberg, Family Members at Dover AFB; Leahy, Managers amendments; Leahy, Relevant; Leahy, Relevant to list.

Schumer, Diplomatic Property Tax; Schumer, Saudi Arabia; Schumer, Saudi Arabia; Schumer, Relevant; Schumer, Relevant; Schumer, Relevant; Schumer, Relevant; Schumer, Relevant.

WORKING FAMILIES TAX RELIEF
ACT OF 2004—CONFERENCE RE-
PORT

Mr. MCCONNELL. Mr. President, I ask unanimous consent that following the granting of this request, the official Senate copy of the conference report to accompany H.R. 1308, the Relief for Working Families Tax Act, having been presented to the desk, the Senate proceed to 2 hours for debate, with 2 hours equally divided between the chairman and ranking member of the committee; provided that following that time, the Senate proceed to a vote on adoption of the conference report with no intervening action or debate and points of order waived; provided further that when the Senate receives the official papers from the House, the vote on passage appear at the appropriate place in the RECORD following the receipt of those papers; and finally, this agreement is null and void if the House does not agree to the conference report.

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

The clerk will report.

The legislative clerk read as follows:

The Committee of Conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (H.R. 1308), to amend the Internal Revenue Code of 1986 to accelerate the increase in the refundability of the child tax credit, and for other purposes, having met, have agreed that the Senate recede from its disagreement to the amendment of the House to the amendment of the Senate to the text of the bill, and agree to the same with an amendment, signed by a majority of the conferees on the part of both Houses.

The PRESIDING OFFICER. The Senate will proceed to the consideration of the conference report.

Mr. MCCONNELL. Mr. President, momentarily we expect to turn to the family-friendly tax package. I understand the chairman of the Finance Committee is on the way. Pending his arrival, I suggest the absence of a quorum.

Mr. REID. I would amend that by asking that the time run on the 2 hours even though we are in a quorum call.

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

The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. HATCH. Mr. President, I ask unanimous consent to deliver my remarks as in morning business.

Mr. GRASSLEY. I yield 5 minutes to the Senator from Utah for that purpose.

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

The Senator from Utah is recognized. (The remarks of Mr. HATCH are printed in today's RECORD under "Morning Business.")

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. I yield myself such time as I might consume.

The conference on H.R. 1308 brings to the Senate for consideration the Working Families Tax Relief Act of 2004. This is a product of the cooperative efforts that Senator BAUCUS and I have had on a lot of legislation, and even though there were some differences of opinion within the conference, for the most part, many parts of this bill are things on which we mutually agree. There are some parts included that we might not agree on, but it doesn't keep us from getting it to finality.

I thank Senator BAUCUS for his cooperation as the leader of the Democrats on the Finance Committee and helping us get this bill to where it is.

First, we are here in a great part as well due to a determination of the President of the United States and his enunciation of a very clear tax policy that goes back to the year 2001. In fact, it goes back to probably before he was sworn in as President of the United States. This President saw that the economy was in an economic free fall in 2000. As you recall, in March of 2000, the NASDAQ started to lose half of its value, which it did. You also will remember that during that year the manufacturing sector started a 44-month slide.

The President knew these things were going on, so even before he was sworn in as President of the United States, he had a tax policy that was ready to go to stimulate the economy. So we passed that in 2001.

We added to it and sped it up a little bit in 2003 to bring about the rejuvenation of the economy that we now have. As an example, we have had 13 months of economic growth in employment, with 1.7 million new jobs created, and I think it will go on. So we are seeing the impact of the President's tax policies going back to that particular time.

What we are dealing with here is a conference committee report that will ensure that the tax reductions made in 2001 and 2003 stay as tax cuts, and that the benefit that working men and women get from that and the benefit that the economy has gotten from that by being rejuvenated with enhanced employment will not turn sour and our working men and women have to pay higher taxes starting next year because provisions of the Tax Code sunset.

Under that scenario, a sunset of tax legislation means there would otherwise be a big increase in taxes to working men and women starting automatically on January 1 of next year, hence, this legislation, to make sure those

sunsets do not occur, and we do not have automatic increases without a vote of Congress on the working men and women.

Those tax increases would be an unacceptable position to take, plus there is the injustice to working men and women, and we might be pulling the plug on the revival of the economy that the tax reductions of 2001 and 2003 brought to the economy.

Raising a family is always a struggle, and the last thing they need to do is to send more money to Washington. That money can certainly be better spent by mothers and fathers closer to home for lots of purposes. It could be helping educate a child, buying a better health insurance program, or allowing a parent to spend more time with their son or daughter at home instead of having to work an extra shift.

This basic package from the conference contains several key elements. One is extending the child tax credit and the marriage penalty relief for the 10-percent and 15-percent bracket. These provisions will now be in effect through the year 2010, accelerating the 15-percent refundability for low-income families starting this tax year. This is of particular importance to low-income families. Without doing this, there would be some disincentive to work.

Our policy in this country since 1996 has been to move people from welfare to work because people on welfare are in a lifetime of poverty, and the only way to move them from that situation is to encourage them into the world of work, and being in the world of work, they have an opportunity to move up the economic ladder. But there are some tax policies that discriminate against that. One of those is the regressivity of the payroll tax and even the hindrance of childcare, as an example.

What we do is reduce, not eliminate, the regressivity of the payroll tax so that is not a disincentive for people to go to work; that they know if they go to work, they are going to have more in the world of work than they may in some other lifestyle.

We also do an important simplification in the administration of the uniform definition of a child. Prior to this conference report, the Tax Code would have several different definitions of a child. Not only doesn't that make good legal and public sense, but it is also complicated. We bring uniformity to public policy, but we also bring some simplification to the Tax Code.

Then we also expand the earned-income tax credit and the child credit benefits for military serving in combat zones. We provide alternative minimum tax relief for millions of Americans in the year 2005. These are people who would be hit by the AMT who were never intended to be affected by the AMT. In fact, already there are more people hit by the alternative minimum tax than was ever intended when it was instituted in 1969.

Remember, in 1969, it was instituted to make sure that some Americans,

high-income Americans, and maybe also wealthy Americans who took advantage of every tax loophole they could take advantage of to wipe out any payment of any tax whatsoever, would make some contribution based on their success to the Federal Treasury so that everybody in our society was manning an oar in this effort to make our economy and our Government go.

Mr. President, do you know what is happening with AMT because it was not indexed back in 1969? It is beginning to hit a lot more wealthy people than it was ever intended to hit, hitting people who do not take advantage of every tax loophole and are still paying a lot of tax and being hit by the alternative minimum tax.

We are not doing a heck of a lot to help those people who have already been hit, but we are setting up a situation so that situation does not get worse. But to some extent we are putting off the inevitable. If we do not do something about this—and I take some responsibility for not doing enough, although I do remind people who are watching, and my colleagues, that in 1998, I did vote for a bill that did away with the alternative minimum tax totally. It went to President Clinton, and President Clinton vetoed the bill.

At that time, it would have been the ideal time to take care of it. But soon, instead of hitting 3 or 4 million Americans, it is going to be hitting 20 to 30 million Americans, and pretty soon it is going to be hitting the middle class, and it is going to be punitive to the middle class. Somewhere along the line, we have to adopt a policy that realizes that the consequences of our tax policies are hurting people we never intended to hurt, and if we want a stable society, we never want to hurt the middle class.

I know there are a lot of people in this body who believe if we make any changes in tax policy whatsoever, we have to offset it dollar for dollar. For every reduction we make, there is a \$1 increase in somebody else's taxes to make it up.

It is almost impossible to do that with the alternative minimum tax. We ought to decide sometime that something has gone wrong and correct the wrong, save the middle class, and not worry about offsets because people who will be paying the tax were never intended to pay the tax, and it does not make sense to tax them. But that is happening through the alternative minimum tax.

What do we do in this bill? We delay for 1 year finding a permanent fix to this situation. By doing it, we are not hurting any more people at least.

Finally, there is a provision in this bill to extend current law on several expiring tax provisions. In regard to these retiring tax provisions, I know there is frustration for some of my colleagues, particularly in the area of expanding the R&D tax credit. In order to reach agreement, my counterparts on

the Ways and Means Committee and I agreed that these extenders should be a clean 1-year extension. This had the solution of making no one happy, either in the Congress or in the economic sectors that are impacted by these tax provisions.

The House of Representatives had to accept extenders they did not want, as did we in this body, but it resolved the issue and allowed us to go forward.

I want my colleagues to know that I am committed to working with them on this issue and on other extender-related issues in the JOBS bill that hopefully now will go to conference.

We are going to be able to turn our full attention to the issue of the JOBS bill, which passed this body 3 or 4 months ago by 92 to 5. With the conclusion of this legislation, we are going to be able to work on that and hopefully complete it prior to leaving this October.

This bill provides great tax relief to millions of working families, and I commend President Bush for his leadership in making these proposals a reality.

One thing I need to explain to my colleagues, the President was hoping to get this done in July. Way back in the early winter, I decided the best time to take up this tax bill was now in September. I thought it would be easier to do, and I think the way it is working out it is easier to do.

I tried to respond to the President's inquiries to me about moving this in July, and I came up at that point not with a 5-year extension but with a 2-year extension because at that point we could get bipartisan movement and move it through. The White House did not want just a 2-year; they wanted the 5-year. I could not get the 5-year in July. So we dropped everything and then went home for our summer break during August and the two political party conventions and now we are back doing this.

Senator FRIST and I were called down to the White House in July to visit with the President about this issue. We had a meeting with the President, the Vice President, the chief of staff, and the chief congressional liaison. We discussed all these issues, and I presented the view to the President that I wanted to do this in September. He made the point he wanted to do it in July. I said I will try to do it in July, but, I said: Mr. President, there is also another issue connected as well, and that other issue is the JOBS bill. The JOBS bill is to create jobs in manufacturing. It also corrects a decision that the World Trade Organization made about our export tax laws. Everybody understands we have to do this.

I was presenting to the President at that particular meeting in July the necessity of getting this bill passed and how important it was, but that we had not heard a whole lot out of the White House about the JOBS bill. The President told me in July: Get this extension for me and then we will concentrate on the JOBS bill. We referred

to it as FSC/ETI and he referred to it as FSC/ETI as well.

So I hope now that we are delivering on this bill the President asked for, albeit 2 months late, that the President will keep his commitment to me to get the White House behind our JOBS bill, the FSC/ETI bill. That is what I heard him say. I think the President will keep his word to me and we will maybe now hear from the White House on the importance of the JOBS bill.

I yield the floor.

The PRESIDING OFFICER (Mr. COLEMAN). The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield myself such time as I might consume.

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

Mr. BAUCUS. Mr. President, I am pleased to be a part of this effort to improve significant tax relief for America's working families. I very much want to thank my good friend and colleague Chairman CHUCK GRASSLEY. As usual, he did a great job in the conference. He conducted an open and transparent conference at all times. He was very decent, very courteous, very fair. Sometimes it was difficult.

Senator LINCOLN and I were able to present some amendments and some ideas in an effort to improve the legislation. There was no resistance at all from the chairman. He was, again, gracious, top notch, transparent, very helpful, and I commend him.

Mr. GRASSLEY. I am sorry. I was not paying any attention.

Mr. BAUCUS. I sing the chairman's praises so often he is probably getting used to it, but I was telling everyone what a great job the chairman did last night.

Mr. GRASSLEY. I thank the Senator. I think we did what conference committees are supposed to do. If the Senator would let me interrupt, I think we do what conference committees are supposed to do. They conference and every idea people wanted to bring up was presented and debated.

Mr. BAUCUS. Mr. President, I totally agree. He said it much more directly, as he customarily does. I was a little more oblique and indirect, as I sometimes am. CHUCK GRASSLEY is basic good CHUCK GRASSLEY representing the State of Iowa in a very thoughtful and great way.

Mr. President, I will say a few words about this bill. First, it provides meaningful tax relief. It will clearly benefit millions of middle-income Americans. It largely is made up of extensions, basically provisions, for which I and many of our colleagues worked hard when Congress enacted them in the first place.

The package we consider today is also far better targeted than the package Congress enacted last year. What we are passing today includes provisions that are very important, more specifically to everyday people, to Montanans and to Minnesotans, to people all across the country.

That is not to say that this legislation, in my judgment, is perfect. It is

not. I think it has some quite significant shortcomings, but we are here today and this is a vote on the conference report. It is all or nothing and I frankly believe that the good in this bill significantly outweighs the bad. If I were drafting it, it would be quite a bit different than this legislation. But this is America, this is the legislative process, and it is a step forward and I will urge my colleagues to support it.

The legislation the Senate passed to begin this conference provided refundable child tax credits to low-income working families. That was the original bill. This was a \$3 billion to \$4 billion problem. Last June, the Senate responded and paid for it. This week, 15 months later, the conference committee produced a \$150 billion solution for that \$3 billion problem and the conference committee chose not to pay for that \$150 billion.

I am concerned. The Congress appears incapable of enacting reasonable tax cuts without adding to the deficit. Higher deficits will hurt the very families whom we have set out to help. They are the ones acutely harmed by higher interest rates that huge deficits cause. It will be the children of middle-income American families, those we are directly helping today, who will pay for that deficit with higher taxes throughout their lifetime. That is the underlying problem with this legislation.

Using this conference on a narrow, \$3 billion problem to move a broad \$150 billion tax bill is also an abuse of the Senate rules. Rule 28—and this may be a little bit inside baseball but it is very important to achieve comity and to get legislation passed here—is a rule which may still appear in the printed rule book but the conference report makes clear that for all intents and purposes rule 28 regarding the scope of conference is now dead. The majority plainly observes rule 28 only in the breach.

Let me take a moment to recount the history of this bill. It all started last year when the 2003 tax bill left out additional child tax credit payments for most low-income families with children. Last year's increase in the child tax credit left out fully one-quarter of Montana's children. It must be proportionately true in other parts of the country.

In the weeks that followed passage of that bill, Senators LINCOLN and SNOWE championed efforts to provide relief for these hard-working families. Today, more than a year too late, we finally followed through on their efforts to provide additional child tax credit relief to those families who were left out. Again, a quarter of the children in my State were left out, and I bet that is about true around the country.

Families who could only get a 10-percent refund can now get a 15-percent refund, as we have accelerated the increased child tax credit in this bill.

The conference agreement makes another significant change benefiting

families of military personnel serving in harm's way. Under current law, pay earned by our military in a combat zone does not count for purposes of calculating the earned income tax credit or the child tax credit. That is obviously an imperfection, to say the least, in the law. It is wrong. Our service men and women who are in harm's way should clearly not be discriminated against just because they happen to be fighting a war on our behalf. That is the case in the law and this bill partially but not entirely addresses it. It is the part that it does not fix that I will address later which I have a particular problem with.

Last year, I joined my friend Senator PRYOR in requesting a study to detail how this oversight affects our men and women in the military who are serving in some of the most dangerous locations in the world. What did the GAO find? It found that as many as 10,000 military personnel in combat zones will see a reduction or elimination of their child credit or earned-income tax credit. Why? Simply because they are serving abroad, in harm's way. I joined Senator PRYOR in introducing legislation which is part of the agreement today essentially to correct that inequity.

Unfortunately, the proposal today will still allow military families with combat pay to receive the earned-income tax credit for only 2 years, and then it goes away. Why? Why should that not be permanent? We tried last night to make it permanent, but unfortunately the conference would not agree.

During conference negotiations—and I take my hat off to Senator LINCOLN of Arkansas—Senator LINCOLN offered an amendment with my support to make this provision permanent. Again, the conference committee rejected it on a party-line vote. I don't know why the conference committee chose to penalize those military personnel who are serving in Afghanistan, serving in Iraq, in other dangerous parts of the world. We should make sure they are not discriminated against. I do not understand it. It is the least, the very least we could do for them. We should correct this entirely, and we should take care of those soldiers and sailors who are taking care of us.

I think we also all agree on our support for extending tax relief for middle-income taxpayers. That is clear. That is the basic reason I support the bill. The conference report does extend those tax provisions to the end of the decade. Basically there are three popular tax cuts on which many American families have come to rely: the \$1,000 child tax credit, marriage penalty relief, and the 10-percent income tax bracket.

The conference report also, I might add, extends for another year protection from the heinous alternative minimum tax, otherwise known as AMT. What is it? It is basically the provision in the Code that says after you go

through all your calculations and it turns out that you pay a very low income tax, American taxpayers—corporate taxpayers, too—have to go through another set of calculations that are a bit more onerous. Under the second, if the tax charge is higher than it would be in the regular calculations, they have to pay the higher amount. That is the AMT. It is beginning to kick in, as many Americans are beginning to realize, and it is going to be a much more difficult burden in the next couple or 3 years.

Not next year, however. This bill extends relief from the AMT for next year. Without this, millions of middle-income taxpayers who thought they would be recipients of the benefits of these tax cuts would lose them. Why? Because of the AMT. We give with one hand tax relief in the 10-percent bracket and from the marriage penalty, but it would be taken away with the imposition of the AMT. So we say let's not let AMT do that for another year.

Many of my colleagues also agree with me that we should not borrow to pay for these tax cuts, especially when other more fiscally responsible options are available. What are those? We now have a \$300 billion tax gap based on 2001 figures. That is the latest date for which the IRS has made an honest, responsible calculation. What is the tax gap? That is the \$311 billion in money that American taxpayers owe. It is due, but they are not paying it—\$300 billion. That is the tax gap. It is huge. Just think how much easier it would be for this country to pay its bills, provide for the wars in Afghanistan and Iraq, homeland security, education, if every American paid his or her legitimate taxes that are owed and due.

The IRS, unfortunately, does not have the personnel to solve this. There are lots of provisions in the law which allow, regrettably, taxpayers to take advantage of the Code. Clearly we should do something about that. I must say, I pressed the IRS in the committee, and I hope we finally get something done in the next couple of years. However, we have passed provisions several times which do address this tax gap. What are they? Anti tax shelter provisions. These are provisions suggested to the committee by the Joint Tax Committee on a bipartisan basis. They say, particularly to corporate taxpayers, if you do certain transactions, itemize these transactions, you have to list them on your return. You have to tell us you are doing these kinds of transactions so they are flagged and the IRS can better look at them.

In addition, we say there should be an economic substance doctrine. That should be enacted. What is that? That is basically the doctrine that says to a judge, if you look at this, if the IRS looks at this and if a taxpayer, corporate taxpayer, is being hypertechnical following the law, but still it is clear there is no economic substance here, the IRS can then find

the taxpayer should pay taxes on that transaction.

There are certain Enron related tax provisions that this Senate has also passed. I asked those to be on this bill because they can pay for part of the extension of the middle-income tax cuts. They are good in their own right. These are loophole closers. These are provisions to close corporate loopholes, to somewhat significantly reduce that \$300 billion tax gap. Yet that amendment was rejected by the conference committee, and I have no understanding why. I do not know why. I have just been told it can't be done. There is no legitimate reason. I challenged the committee for legitimate reasons. There were none. Yet we in the Congress today are adding to the deficit, we are adding to the debt with the passage of this legislation when we could have been at the same time enacting provisions to close corporate tax loopholes, loopholes that everybody agrees are loopholes. Joint Tax says it is a loophole. All commentators who look at this say it is a loophole. Yet this conference committee would not do something that is clearly the right thing to do.

We should close those loopholes, reduce that tax gap, and reduce the deficit. This conference committee doesn't do that. It says: Oh, no, we should not close corporate loopholes. It says: Oh, no, we should not reduce the deficit. It says: Oh, no. Why? Don't know. There were no reasons given. Clearly, it is the wrong thing to do to not enact the provisions. I suggested that have already passed this Senate. They have already passed this Senate by a large margin, and still the conference says: No, we are not going to close corporate loopholes. That is wrong.

I might add a further part of what I believe is good about this conference report. There is a simplification provision here that does simplify provisions of the Code. I don't have to tell you just how complicated the Code is. We all know. How does it simplify the Code? I will give one idea. It creates a uniform definition of a child in the Code. Today there are five separate definitions of a child in the Tax Code. They are all different. It just makes eminent sense that there will be one provision.

It is a start. I am not standing here to say that we have significantly simplified the Tax Code. We are making a start here with a single, uniform definition of a child. If we could take a step forward, even—no pun intended; maybe a "minor" pun—even if it is a baby step forward, certainly we should take it.

Another provision here, we also were able to continue certain provisions of the Tax Code which would otherwise expire. In the parlance here, they are called extenders. But for those who don't know what extenders are who may be listening, there are certain provisions in the Code which would expire,

and most people agree they should not expire. So we say, OK, we are going to continue them. One of the most popular is the R&D tax credit. Frankly, it is foolish to extend that. I think it should be permanent. We should not be back year after year revisiting this issue. It is nuts. It is ridiculous.

I also offered an amendment for a more expanded, a more realistic, a more honest research and development tax credit. What is that? Basically the provision we are extending is dated. It is based on data from 10 or 15 years ago. So companies today which have increased revenues but, say, 10 or 15 years ago were at a certain level of R&D expenditures now can't get the benefit of the R&D tax credit even if their sales are going up because their credit is based on the R&D they performed many years earlier.

I am saying let's bring it up today so American companies can perform the research and invest in the research we need to do to compete with countries around the world. It could be a modest increase in this bill. It is very small—I think it is about \$1 billion—not much at all, over 10 years, but that, too, was rejected for basically no reason. I didn't hear a reason. We have an obligation to start and continue to make America even more competitive. So many other countries give such a break to their companies for research and development in their own countries.

Canada, for example, has a 20-percent credit. Other countries have much more than we have. We are just kind of sitting here as a Congress and not really getting off the dime, getting off the ball to address this issue. I am sorry that was not added in the conference report.

Finally, the conference report does take what are called the technical corrections. Those are a long-overdue set of provisions. They are what they are described to be, dotting the i's and crossing the t's to correct minor mistakes, to simplify the Code by enacting corrections.

Finally, I want to say I support the bill. It will make life better for millions of hard-working American families. That is the bottom line. But, also, I might add it continues to ignore our continuing and dire budget deficit. We may turn a blind eye to that problem today, but that deficit is going to haunt us in years to come. Mark my words.

I urge my colleagues to support the bill. But I also strongly urge my colleagues to renew our resolve to address the budget failure that threatens our Nation. That is a challenge we can no longer simply avoid.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield the Senator from Texas 5 minutes.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I thank the distinguished chairman and

ranking member of the Finance Committee for getting this bill through. These family tax breaks are very important. The most time I have spent on anything in my time in the Senate has been for family tax relief, and particularly marriage penalty relief.

The first bill I introduced on this subject was several years ago to try to stop the penalty that people get when there are two working individuals and they get married because then they go into a higher tax bracket, and they get taxed more than if they had stayed single. That is the worst thing we could do in our society because, of course, we know that marriage is very helpful to family stability. It has been shown that children in families where there is a husband and a wife are less likely to suffer child abuse and more likely to do well in school. It has been shown time and time again that families do better in the area of raising their children when there are two parents in the household. But we have had a Tax Code that has discriminated against marriage. That is absolutely ludicrous.

Last year, with my colleagues and President Bush, we passed a \$350 billion tax cut. This is an economic growth package that is working. We have seen the fruits of our labor. The economy is coming back. The stock market has stabilized. Jobs are being created. So we have freed the economic engines of our economy by keeping more money in small business and more money in the pocketbooks of families.

One of the most important provisions provided immediate marriage penalty relief, making the standard deduction double that of single people and enlarging the 15-percent tax bracket for married joint filers to twice that of single filers. This provision saved 52 million married couples, 3.6 million of whom are in Texas, up to \$600 on their 2003 tax bills.

Enacting the marriage penalty relief was a giant step toward tax fairness. But the bill before us tonight is necessary to keep those tax cuts in place. Since the size of the bill was restricted to \$350 billion last year, the marriage penalty relief provision is only effective for 2 years. So if we do not act on the bill tonight, and pass it, marriage could be a taxable event once again in 2005. Without relief, 48 percent of married couples would lose the tax relief they have gained in the last 2 years.

Besides lower taxes, the other thing that is so important for our Tax Code is to have predictable taxes so a family can plan on what they are going to have in their budgets. That is why I hope eventually we will be able to make these tax cuts permanent. But at least today we are going to take a major step in the right direction for predictability of the tax cuts.

Marriage penalty relief will now be able to be counted on from today through 2010, if we pass the bill before us tonight. I think that is a major step in the right direction. Hopefully, between now and 2010 Congress will see

fit, working with President Bush, to make this relief permanent. Then our families will know exactly what they are going to have to spend, and they will have more in their pocketbooks as well.

I think it is very important to say this is not something that was easy. We know it was not. There are people who wanted to take the tax cuts away, so acting was very necessary to keep the child tax credit, to keep marriage penalty relief, and to give the overall relief to families in our country. But you can tell it has taken until the last month of this session to do it because many people wanted to put these tax cuts into other spending priorities.

I cannot think of anything better than having the money go back in the pocketbooks of those who earn it so they can spend it for their families the way they want to.

Mr. President, I know my time is expiring, but I just urge my colleagues to pass this bill. I thank the distinguished chairman and ranking member for making sure that marriage penalty relief is in the bill before us tonight so that we can count on now through 2010 that this will be available for people getting married in our country, to raise their families in the way they choose to do it.

Thank you, Mr. President. I yield the floor.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Montana.

Mr. BAUCUS. Mr. President, before I yield to my very good friend from Arkansas, Senator LINCOLN, I would like to tell the Senate and those listening what a great job she has done, particularly in standing up for our military personnel overseas who have children and who are working men and women but whose incomes might not be as high as some others.

She is a tiger. She is a stalwart. She is there. And because of her efforts, this bill is a lot further along in a way that does help military personnel, maybe not as much as we would like yet, but she is to be highly commended for her work.

Mr. President, I yield 15 minutes to the Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas.

Mrs. LINCOLN. Thank you, Mr. President, and a special thanks to my colleague, Senator BAUCUS, who has been a great mentor and great friend to me on the Senate Finance Committee, and a special thanks to our chairman, Senator GRASSLEY, for his transparency and his willingness to work with us always. We are very grateful for that. I think the conference we held under his leadership was certainly a conference where people were able to offer their ideas, bring their ideas and their passions to the table and express them. There are a few we were disappointed in not being able to succeed with, but I know the chairman knows I will be back at that another day, as I

usually am, to try and see if we cannot move some of those things along. But I appreciate his graciousness and certainly his willingness to work with all of us. And, again, I thank Senator BAUCUS for all of his hard work and gracious support of me.

I rise today in support of the Working Families Tax Relief Act that is before the Senate today because it does provide tax relief to low- and middle-income families who are struggling to make ends meet by making this child tax credit fully refundable beginning this year. If there is anything I noticed in the time I spent in Arkansas, in my home State, over the month of August, it was the unbelievable stress that working families in this great country find themselves under.

Workers are concerned about their job, whether they are going to keep their job. Maybe they have lost their job. Workers are certainly looking at what they are responsible for, such as can they pay for what their children's needs are, the taxes, the cost of gasoline, the expensive cost of health care. They are concerned about the availability of health care, access to it. They are looking at all of those concerns, including the unbelievable increase they have seen in higher education. Are their children going to be able to go to college? Can they put aside enough money for that? Will there be the resources they need?

Our working families are under unbelievable stress. If we want to strengthen families and, in turn, strengthen the fabric of our Nation, we have to work together to relieve some of that stress through the Tax Code, through lowering the tax responsibility of low- and middle-income working people and giving them the same ability to utilize the Tax Code for the benefit of supporting their families. We see a lot of upper income people who can use the Tax Code for that purpose, whether it is mortgage deductions or the fact they have more expendable income that they can set aside in an IRA or a 401(k), or using that Tax Code to help them support their families and the dreams they have for their families and their children. Giving that same capability to low- and middle-income working people is essential for all Americans to reach their potential and to at least have a shot at the American dream.

This bill is a huge step in bringing relief to working families who are putting so much of their resources into the economy. As my colleagues may recall, the conference report we are debating today is the byproduct of legislation I spearheaded in the Senate over a year ago. I compliment my colleague Senator OLYMPIA SNOWE. OLYMPIA and I worked very hard together on this issue, along with Senator BAUCUS and Chairman GRASSLEY. It was approved by an overwhelming vote in the Senate, 94 to 2. The Senate believed it was important enough to provide for low-income working families to take care of their children. Yet it has taken us this long to get to this point.

I don't want to sound ungrateful because I am tremendously grateful that we are here today to address this issue. But I hope as we look at the issues still before us, the ones we did not address in this bill, that it won't take us that long again to make the commonsense decisions that are required to reinforce the heartland of America and the working families who make up this great Nation.

We introduced back then and pushed passage of that proposal to ensure that working parents who were left out of the 2003 tax bill were able to fully benefit from tax provisions Congress had enacted to help families meet the demands of raising children. I have a Cub Scout meeting in about an hour and a half. I may not make it. But there are multiple demands on working families. Whether it is time, resources, our ability to give our children all of the things that we know, both as parents and having been children ourselves, they are critical in making the kind of people we want to be the leaders of tomorrow. And a huge part of that is having the resources to provide to your children just the basics.

Specifically, the tax package before us will restore provisions that were stripped from the 2003 bill that I had fought to include to allow working families to fully benefit from a \$400 increase in the child tax credit. This legislation will also extend critical tax provisions set to expire for married couples, which Senator HUTCHISON has talked about, and for all taxpayers who will benefit from the 10-percent bracket—again, putting resources back into the working families who are the stability of this country.

I stress that low-income working parents who benefit from the refundable child tax credit included in this bill must have earned income to qualify. This is not welfare. You sit down at the kitchen table with any of these families who are working and let me tell you, if you are working 5 days a week, 52 weeks out of the year, and you are making the minimum wage, you are making a little over \$10,000, you are working hard. This is not welfare. It is your Government and your Nation reinforcing who you are and what you stand for; that is, that you would use whatever your talents happen to be. They may not be as much as somebody else's, but you have talents, too. And you are using those talents to put back into this Nation and back into this economy.

It is so important for our colleagues to understand, because some of our colleagues have suggested that we should not expand eligibility for the child tax credit for lower income workers because they don't pay Federal income tax. These individuals work hard, and they do pay taxes. They pay sales taxes. They pay excise taxes. They pay property taxes, gas taxes, and payroll taxes on every one of those dollars they earn. They should benefit from the tax relief that we pass in Congress

because they suffer from all of the taxes that continue to increase, but they hardly ever benefit from the tax cuts that we produce here in Washington.

Are these families any different? They also struggle to meet the demands of providing for their children, just as others do—more than most, actually. I am confident this is the right thing to do for our Nation and its children.

As I said, we are talking about families who work hard and play by the rules. When they buy their blue jeans for school and their tennis shoes, their tires, their washing powder, it doesn't cost them any less than it costs us. Think about it, a family making \$20,000 a year doesn't get a special bargain at the store anymore so than the family making \$100,000.

While this tax relief package achieves fairness for millions of families with children who would otherwise be left behind, it doesn't include everything that I fought for during the negotiations in the conference committee this week.

Once again, I appreciate the chairman allowing me to offer my amendments and come before the conference committee and express my desires.

First, I believe we can and should have paid for this bill by eliminating tax shelters and loopholes. Why would we wait until tomorrow to do something constructive that we could do today? Why wouldn't we pay off part of our note today instead of continuing to accrue the interest on the debt that is about to swallow us up? For the life of me, I don't understand why some of my colleagues think that it is important to pay for the JOBS bill we hope to complete this year—I certainly do; it affects my State as much, if not more than any—but not this bill. Why is this bill not important to pay for? I think we should pay for both of them.

I supported an amendment in conference that was offered by my good friend and colleague Senator BAUCUS to pay for the tax provisions we are debating today. Unfortunately, it was defeated on party lines. Even though we were not successful in that attempt, I will renew my efforts to restore fiscal discipline next year by working with like-minded Members in a new Congress and hopefully with an administration that will take deficits seriously as well as their serious effect on our children.

It is critical that we look at the good policy of closing these loopholes and make certain the confidence of the American people in the economy of this country and the way we deal with those who choose to abuse the Tax Code.

Another issue I don't think we resolved appropriately involves the tax treatment of military families. Senator BAUCUS mentioned it. Last night, I offered an amendment to make sure that we take care of the men and women in the military who we depend

on to take care of us. These are people who put their families on hold. They put their life in harm's way.

You might think there are not a lot of people out there who fall into this category, in the low-income category, of needing the ability to choose where to put their combat pay for the purposes of calculating EITC. But there are more than 10,000. These are infantrymen, troops, members of our Armed Forces who could benefit greatly if given the opportunity as to whether they want to choose to put their combat pay into their taxable income for the purposes of EITC.

The conference report, in effect, imposes a tax increase on military personnel in the year 2006 and beyond because it only excludes combat pay in the calculation of the earned-income tax credit for low-income soldiers for only 2 years, 2004 and 2005.

These brave men and women who risk their lives to defend our freedom are the last people we should burden with uncertainty in the Tax Code. My colleague from Texas talked about the uncertainty and what it does to families if they cannot depend on the Tax Code to give them the relief and continue to do that. How do they plan? It is unbelievable to me that in 2006—and we don't know where we will be in our conflict in Iraq in 2006—we would give certainty to every other category in here. Yet we would not give that certainty to the military men and women serving this country. I think it is wrong, and I will be working very hard with Senators PRYOR and BAUCUS and others on legislation that will fix it, and fix it in a timely way.

I also offered an amendment to address an inequity in the refundable portion of the child tax credit. Under current law, the threshold to be eligible for the child tax credit is \$10,750, and it increases annually based on inflation. Unfortunately, for many low-income families, wages and income are not increasing. They are not keeping pace with inflation, and they will be unfairly denied tax relief under this approach in the years ahead.

Again, you might think this is just a small number of people, but the fact is that it is 4 million low-income people. Thirty million get the child tax credit in this country—30 million families. Eleven million of those are refundable. So 4 million of those 11 million families will not be able to access the full benefit of this child tax credit because we have not adjusted what we set into place.

My amendment would have returned the eligibility threshold to \$10,000, which is where it started when originally enacted in 2001 and would have removed the annual inflationary increase. What we have seen is that we have indexed that base, and we continue to see it increase so those who make below that are not eligible for that full benefit. Why would we not want to take it back to the original \$10,000 and take away that index and

give the benefit to the very families who are working hard, who are not seeing any increase in their wages or in their income, to make sure they have that same ability to take care of their children?

The taxpayers who are most at risk of losing this benefit are the very ones who need it the most. I hope we will reconsider this issue in the near future.

Even though this bill doesn't include everything, I think it should and I would like to amend certain provisions. I believe, on balance, it is an achievement for low- and middle-income families who need economic relief today. We made several attempts to try to make better those provisions that we were offering.

I also offered an amendment of the President's EITC simplification, which was in the President's budget, hoping that maybe that, coupled with what we were asking, would make Members feel comfortable that we, too, wanted to eliminate the fraud and abuse that existed to make sure we could reassure the American people that those who are working hard to earn their income would see the benefits that their Government could provide them, just as the higher income people could use that Tax Code to help them care for their families.

We also worked hard and I was pleased to see included the simplification or uniform definition of a child. I worked with Senator HATCH in committee very early on with that. We wanted to see more simplification of the Tax Code. It is amazing to think a child could be designated six or seven different ways under the Tax Code. Here, we realize that a child is a child, and I think that simplification was very important.

I am grateful for all the work that has gone into it. I thank again Chairman GRASSLEY, Senator BAUCUS, Senator SNOWE, and others for working with me to advance the provisions that I have fought for throughout my term in the Senate to strengthen families and children in Arkansas and across this Nation.

Before I yield the floor, I would be remiss if I didn't also thank my tax counsel, Mac Campbell, for his invaluable assistance, as well as the wonderful staff of both the minority and the majority of the Senate Finance Committee. These are unbelievably brilliant people who work hard day in and day out. I am appreciative of the hard work they put in and grateful for their help. I am grateful for this day and that we have come to the point where we can provide relief for working families.

I strongly believe that as we move forward in strengthening our Nation, we must begin with the fabric of our families and giving our families the means to strengthen themselves, looking at ways we can relieve the stress that they find themselves under every day. This bill will go a long way toward doing that.

I yield the floor.

Mr. GRASSLEY. Mr. President, I yield the Senator from Arizona 10 minutes.

Mr. MCCAIN. Mr. President, today we will be voting on a conference report to extend several very important middle class tax provisions through 2010.

Throughout the Senate's budget debates this year, I have consistently supported the extension of the marriage penalty relief and the child tax credit, and expansion of the 10 percent income tax bracket. The conference report before us extends these family tax relief provisions through 2010, and I will vote to support its passage. But I cannot cast this vote without also expressing my grave concerns over the very serious financial situation facing our country. We have got to start making some tough choices around here.

The cost of the measure before us today is estimated to be \$146 billion and it is not offset. Again, I support extending this tax relief to American families, but we have got to wake up and take a long hard look at how we are going to pay for all of this. As the saying goes, the future is now. We face a \$422 billion deficit, yet we continue to approve legislation containing billions and billions of dollars in unrequested and unauthorized pork barrel projects. In fact, according to the Congressional Research Service, the number of congressional earmarks found in the 13 annual appropriations bills only continue to grow. In 1994, the year the Republicans gained control of Congress, there were 4,126 earmarks. In 2004, there were 14,040! How can we defend that track record to the taxpayer?

It is unfortunate, although not surprising, that this conference report includes a number of special interest tax provisions. We would be doing a far better service to the American taxpayers if we were simply acting on the three family tax provisions I mentioned earlier.

Let me briefly discuss just one of these ad-ons. Nestled within this conference report is a provision to continue one of the most ironic and bizarre U.S. policies to be considered, not to mention enacted. Under the false guise of exploring environmentally-friendly alternative energy sources, this conference report extends a subsidy offered to facilities that burn animal droppings—or as it is coined in this report, “poultry litter.” We have all heard of “litter bugs” and now we have “litter chickens.” I raised similar objections to a related provision when it was included in the FSC/ETC bill debated earlier this year.

I don't want to go into the poultry manure and by-product of droppings, but the fact is that no less green an organization than “Friends of the Earth” opposes burning these droppings as an energy source because the process, and I quote, “cause[s] serious environmental and community health problems.” Moreover, EPA studies have suggested that these facilities have the

potential to cause more air pollution than a coal plant. On top of all this, these facilities drive up prices on natural fertilizers used on American farms, actually detracting from an environmentally-friendly farming process that requires no government subsidy.

Why on earth are we wasting valuable money on such a subsidy, especially when such dire financial and energy needs are facing this country today? We have limited resources to devote to serious renewable energy sources such as solar, wind, geothermal, and sound biomass renewables. Subsidizing the burning of animal droppings does a disservice to worthy renewable energy programs.

Again, we must not continue to view spending in a vacuum or as piecemeal. The effects of our spending are cumulative, and the day is fast approaching when we will be forced to reap what we have sown. Earlier this year, we passed a so-called jobs bill estimated to cost \$180 billion, chock full of billions of dollars in tax breaks for wealthy oil and gas companies and other special interests.

On top of all this, last year we expanded Medicare, an already ailing entitlement program, by adding a costly prescription drug benefit. At the time, I spoke at length about my concerns that such an expansion would be detrimental to the future solvency of our Nation and leave future generations with a reckless and unjust financial burden.

Sure enough, that law's price tag grew from an estimated \$400 billion when it was passed by Congress to \$534 billion just 3 months later. Not surprisingly, this past Sunday, the Washington Post reported that the program is estimated to cost an additional \$42 billion, bringing it to a total of \$576 billion. I wonder what the next estimate will bring.

The prescription drug benefit represented the single largest expansion of Medicare since its creation, offering enormous profits and protections for a few of the country's most powerful interest groups: the pharmaceutical companies. That is who made out on this bill, Mr. President, not our seniors who do not understand it and do not get it. But the pharmaceutical companies did just fine.

When will we begin to make wiser and more fiscally responsible policy decisions? What is the result of all this? Everything has consequences. In March, it was reported that Medicare will face insolvency by 2019—by 2019. Because of the swelling cost of the program associated with the prescription drug benefit, Medicare will become insolvent 7 years sooner than previous estimates. An August 17 editorial in the Washington Post stated that “in 2004, the combined cost of Medicare and the Federal portion of Medicaid comes to 3.8 percent of GDP; by 2040, it will be 10.1 percent . . . the projected increase in health spending is nearly three times bigger than the projected increase in Social Security costs.” What

will it take to give Congress the wakeup call it needs? Again, we have to start addressing the serious fiscal realities of our future. We have to make some tough decisions.

Let's not forget we are at war. To date, we spent over \$100 billion for our operations in Iraq alone. That cost will escalate. I know—I don't guess—I know we are going to be in Iraq for a long time, and it is going to be very expensive. I will continue to support whatever is necessary to ensure that our brave men and women defending freedom around the world have everything they need to succeed and to come home safely. It appears that our commitments in Iraq and Afghanistan will last well into the future.

While doing these things, we need to be thinking about the future of America and the future generations that are going to be paying the tab for our outrageous, continued spending. It is not fiscally responsible for us to continue to spend and spend and spend without cutting spending elsewhere. We have had ample opportunities to tighten our belts in this town in recent years, and we have taken a pass each and every time.

According to the GAO, the unfunded Federal financial burden, such as public debt, future Social Security, Medicare, and Medicaid payments, totals more than \$40 trillion, or \$140,000 per man, woman, and child. To put this in perspective, the average mortgage, which is often a family's largest liability, is only \$124,000.

In a joint statement, the Committee for Economic Development, the Concord Coalition, and the Center on Budget and Policy Priorities stated:

Without a change in current (fiscal) policies, the Federal Government can expect to run a cumulative deficit of \$5 trillion over the next 10 years.

These figures are shameful and frightening. We are supposed to be helping out middle-income and low-income people with this tax cut today. Who suffers the most when interest rates go up and inflation goes up? People on fixed income and middle-income Americans.

We are mortgaging our children's and our grandchildren's futures. Did anybody have an idea that maybe we could cut some spending somewhere to maybe make up for a little bit of this generous tax cut? I never saw it proposed.

The Congressional Budget Office has issued warnings about the dangers that lie ahead if we continue to spend in this manner. In a report issued at the beginning of the year, CBO stated that because of rising health care costs and an aging population, "spending on entitlement programs—especially Medicare, Medicaid, and Social Security—will claim a sharply increasing share of the Nation's economic output over the coming decades."

The report went on to say:

Unless taxation reaches levels that are unprecedented in the United States, current

spending policies will probably be financially unsustainable over the next 50 years. An ever-growing burden of Federal debt held by the public would have a corrosive effect on the economy.

Additionally, CBO has projected a 10-year deficit of \$4.4 trillion.

Who are we hurting here by this continued spending that is going on? We are hurting our kids and our grandkids. I will probably be OK. We have a very generous retirement plan for Members of Congress, probably the most generous in the world. I would like to know what we are expecting to do for our kids and grandkids every time we add several billions of dollars.

One additional point, Mr. President. We added \$2.9 billion for drought conditions to a hurricane disaster bill. I see the Senator from South Dakota on the floor. I supported it. Did we try to offset it with any cut in spending anywhere? Maybe the chicken litter program, maybe the \$2 million we are spending this year to study the DNA of bears in Montana? No, we do not do any of that.

Our earmarks have gone up to 14,000 earmarks in the last 10 years, from 4,000. We are doing bad things, and we better stop doing it.

I yield the floor.

The PRESIDING OFFICER. Who yields time? The Democratic leader.

Mr. DASCHLE. Mr. President, I commend the Senator from Arizona for his strong and powerful statement with regard to fiscal responsibility. We need to find offsets. Many of us have shared the sentiment expressed by the Senator from Arizona on several occasions, and he is absolutely right. I am very concerned, as he has expressed, about the repercussions this is going to have not for this year but for years in the future.

We hear a lot about taxes. I think we ought to be concerned about what I call the birth tax. The birth tax is the tax every child pays or at least is responsible for when he or she is born. It is now \$26,000. Every child in America has a birth tax of \$26,000. That is his or her share of the Federal debt. And unless we address it, it is going to get worse. We ought to be embarrassed by the irresponsibility of doing things that are not properly offset and paid for.

This bill presents a dilemma for many of us because we have expressed great need for this Congress and this Senate in particular to address tax cuts with offsets. We have proposed, as the Senator from Arizona has noted, on several occasions ways to have done that. This bill could have been offset as well. It is not, and that is regrettable, but it is also a bill which recognizes that it is imperative that we continue to find ways with which to deal with the pressures, economically and financially, the middle-class families are feeling today.

Over the course of the last 4 years, the income for a typical American family has actually been reduced by \$1,500

in purchasing power, and yet the prices families today experience have gone up dramatically. Health costs have now exceeded 50 percent in those 4 years. Tuition costs have exceeded 28 percent. Gasoline prices have gone up 21 percent. Grocery prices overall have gone up 18 percent.

So while middle income has declined, the prices those middle-income families are feeling has gone up. And that is why this middle-class squeeze becomes more and more of a concern to families. Household incomes are down and expenses families face go up.

People I talk to in South Dakota are determined to try to find a way to make a better tomorrow for themselves and their families. As they continue to be frustrated by their inability to make ends meet, it is matters such as this that can make a difference.

That is why we are on the verge of doing right by these families by providing for tax relief that for a typical family could mean \$700 in savings. Yes, I wish it were offset. Yes, we should have done the responsible thing and found ways with which to ensure these cuts are paid for.

We have been trying to find ways to provide that middle-class relief now for years. Many of us were hoping we could have done it earlier this year, but because the administration balked at finding ways to resolve the differences that existed months ago, we find ourselves today in a situation where we finally can address what has been an unsatisfactory solution to the offsets but a widespread recognition that we have to address these tax cuts in a meaningful way before the end of this Congress.

So this bill first provides, as others have said, the child tax credit, which is designed to make it easier for families to make ends meet, to pay those bills, to recognize their income has declined. The tax credit was scheduled to fall to a maximum of \$700. With this legislation, 70,000 families in South Dakota will benefit from this \$1,000-per-child tax credit.

I am particularly proud that this group includes 15,000 South Dakota families, including many military families we had fought to include in the initial tax cut in 2001 who had received no tax credit under the initial plan that was produced as we considered this legislation now a couple of years ago.

We also ensure that getting married does not mean paying higher taxes. The marriage penalty relief is a matter of fairness for about 90,000 married couples in South Dakota, and we extend, of course, the 10-percent tax bracket that would have expired had this legislation not been agreed to. That ensures that 245,000 South Dakotans continue to benefit from the full 10-percent bracket.

For a typical South Dakota family of four making \$30,000, this legislation delivers a tax cut of more than \$725. That is real money. It can make a real difference in the lives of families I have

talked to, and it is exactly the kind of tax cut we ought to be supporting more regularly, not those at the very top who with billions of dollars do not need the tax relief, but families who need the help, who cannot make ends meet, who are having trouble paying their bills. They will welcome this relief. I am very pleased that, at long last, we can provide it.

There are other components of the bill that are also good for America and good for places like South Dakota. It extends the tax credit to encourage investments in wind energy. South Dakota has the potential to become a national leader in the production of wind-generated facilities. In fact, in both North and South Dakota alone, they could supply over two-thirds of the entire electricity needed for our Nation if we fully develop capacity to generate power from this renewable resource.

The conference report provides energy companies with a 1.8-cent tax credit for every kilowatt hour of electricity produced by wind energy. The extension of the producers tax credit which expired at the end of 2003 will guarantee investment in this industry and will hopefully lead not just to greater energy independence but jobs and economic growth as well.

The bill also includes two important provisions affecting Native Americans. The Indian employment tax credit encourages businesses to hire Native Americans by providing a tax credit to those providing employment, and the accelerated appreciation for business property on Indian reservations provides for faster tax writeoffs on certain business property on reservations. This encourages much needed investment.

For obvious reasons, this bill is far from where it ought to be. We had bipartisan support for a proposal sponsored by Senator McCAIN to crack down on corporate tax cheaters as a way to help offset the cost of this legislation. Unfortunately, some in the Republican leadership opposed outlawing those tax shelters. I wish we had been able to make this bill a win/win by providing tax relief for middle-class families while cracking down on corporate tax cheaters. Had we done that, we would have significantly reduced the cost of this bill to the deficit. But I do not believe it would be fair to penalize middle-class families simply because someone blocked this provision to prevent corporations from cheating on their taxes.

We have not given up on this effort to close those loopholes, nor have we given up on the effort to correct an error in the Tax Code that actually penalizes soldiers in combat by making it harder for them to receive the earned-income tax credit. Senator PRYOR has long advanced this idea. Senators LINCOLN and BAUCUS proposed this change in the conference committee and were rebuffed. For the life of me, I cannot understand why anyone would want to penalize our soldiers. If there is one group in America we should be doing

all we can do to help, it is our soldiers fighting in combat.

In the final analysis, this is the kind of tax cut that will help America, that rewards work and not wealth, that strengthens the middle class and provides America with so much of its strength. In spite of its flaws, it deserves our support, and I am hopeful that we will pass it this evening.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I am going to assume the Senator from Iowa is going to yield me 10 minutes.

Mr. GRASSLEY. Ten minutes, yes.

Mr. NICKLES. I want to compliment my colleague, Senator GRASSLEY from Iowa, and also Senator BAUCUS from Montana. I want to thank them for their leadership. I also want to thank every Senator who voted for the 2001 tax cut and for the 2003 tax cut.

I especially want to thank and acknowledge the work of my colleague and friend who is retiring from the Senate, Senator ZELL MILLER, because if he had not been courageous, particularly in 2003 when he cosponsored the bill we are extending today, we would not be here and families would not have had the tax relief.

I also want to compliment President Bush because he pushed for it and he got it. He pushed for it in 2001. We got part of it in 2001 but not much of it. We basically completed it in 2003, and American families got real tax relief. Now we are extending it.

I heard one of my colleagues just say: Well, this is worth \$600 for an average American family. Let me just give the facts. For a family who has taxable income of \$58,000, this is real relief. If they have \$58,000 and most of it is taxable income—most of us consider that middle income—and I have heard a lot of rhetoric: Well, those Bush tax cuts are only for the wealthy, they only benefited the fat cats. Let me just give the facts. I love facts.

If they have taxable income of \$58,000, if they have two kids, the bill we are going to pass tonight will save them \$600 because the \$1,000 tax credit which we passed in 2001, accelerated in 2003, would revert back to \$700, a difference of \$300 per child. So that is \$300 per child they will save. The \$1,000 tax credit per child happened because we passed the tax bill in 2001 and in 2003. The marriage penalty relief for the couple who has taxable income of \$58,000 will save \$911. Why is that? Because we basically take the 15-percent bracket for individuals and we double that amount for couples. That means a couple who makes \$58,000 will still be paying 15 percent. Above that amount, their taxable income, they pay 25 percent. If we do not pass this bill today, that amount they pay the higher bracket on is much lower. It is actually anything above \$49,000. The delta of that is \$9,000, a difference of 10 percent. So that is over \$900 in marriage penalty relief for middle-income families.

The 10-percent expansion expires, and we continue that. That is \$100. If that is added together for the family of four, middle-income America, making \$58,000 of taxable income, this bill will save them \$1,611, to be exact. That is a big savings. That is a 26-percent tax increase if we do not pass this bill. We will save them \$1,600 by passing this bill.

Basically, by passing this bill we are confirming that the bill we passed last year worked and middle-income Americans do quite well by it. I hope a lot of our colleagues who voted against the bill in 2001 or against the bill in 2003 will vote for the bill tonight because this confirms we are helping middle-income Americans. We are helping them a lot, not a couple of hundred dollars. I have heard some people say what we did for middle income was nothing, it was peanuts. This is not peanuts.

This is \$1,600 for a lot of families all across America. So I compliment President Bush, especially because I think that without his leadership, it would not have happened.

I thank those colleagues of ours, Democrats and Republicans, who passed this bill in 2001. And particularly I want to thank Zell Miller because he was helpful in 2003 in passing this bill we are extending tonight. We passed that bill, if my colleagues will remember, with the Vice President breaking the tie. It was a very contentious, very difficult challenge. The President asked me to sponsor the bill and I was happy to do so. We did some other good things in that bill, such as reducing the tax on capital gains to 15 percent, reducing the tax on distributions from corporations to 15 percent because we taxed distributions from corporations higher than any other country in the world. We tied Japan with the highest ranking. We partially eliminated double taxation and made it much more reasonable and responsible, so that was positive.

Incidentally, I might say when we introduced that bill in early 2003, the Dow Jones was 7700. Today the Dow Jones is over 10,000. The NASDAQ is up over 40 percent from when we started pushing this tax bill last year, so the tax bill has worked. There have been 1½ million new jobs created since we passed that bill. So we have had some positive, good signs.

This is a positive, good bill. Some people have complained and said we didn't do enough. Oh, we shortchanged the military combat personnel.

That is not correct. Some people want to greatly expand earned-income tax credits or expand refundability so the Government will write more checks. The earned-income tax program is a program that is one of the most error-prone programs in the Federal Government. It is over a \$30 billion program where we are writing checks—not a tax credit, we are writing checks in almost all cases—and there is a 30-percent error rate. Some people wanted to expand that and make more people

eligible for more money, more refundability. That is, not only are we going to take care and make sure you get a credit so you pay less taxes, but we are going to write you a check for taxes you didn't pay.

I don't agree with that. I oppose that. I don't think we should use the Tax Code for a welfare program. We have now a situation with the EIC where a person can get the Federal Government writing them a check for 40 percent of the money they are earning. To expand upon that and build that even more I think is irresponsible, when you have an error rate in the program of 30 percent. So that is the reason why there are some objections. I just mention that. The complicated—anyway, I don't need to go too much further.

I am pleased we are here tonight. I am pleased we are passing this package. I think this confirms that what we did in 2001 and 2003 has worked. We have helped American families.

One final comment. I have heard many comments that I wish we would pay for this program. I have heard several people say that. We are continuing the tax relief we gave last year. If we don't do that, there is going to be a tax increase. How many times do you hear the same colleagues say, when we want to continue to spend, Oh, wait a minute, we want to pay for that? Pay for the same amount of spending? For new spending? Never. As a matter of fact, we stopped \$1.7 trillion in new spending. Most of the people saying we have to pay for these tax cuts never want to pay for that new spending. They voted against amendments to stop that new spending, or they voted against budget points of order that did stop new spending.

I find it kind of interesting they only want to pay for anything that is called tax cuts, but they never want to pay for spending increases. It is a little ironic, a little interesting. I happen to have the facts and the votes and I am happy to share that. I have votes on every Member, every vote people have cast on spending provisions over the last several years.

The budget actually has worked. The budget we passed enabled us to have the tax cuts that enabled American families to keep more of their own money.

I might say we do have good news on the budget. The deficit figures are coming down by over \$100 billion, just by the last estimate. So we have made good progress. The economy is starting to work. I heard some people say incomes are down. Frankly, incomes are up. Jobs are up.

Receipts are up. CBO has been underestimating revenues.

Before, they were making mistakes where they were overestimating for a couple of years. Now they have been underestimating because the economy is growing faster. Corporate receipts are exceeding expectations. So the changes we made by reducing capital gains and dividend taxes are helping the economy grow.

These family-friendly tax cuts are helping American families. We are giving tax relief to taxpayers and that is what we should be doing in this bill. We are also giving continued assistance for people who do not pay taxes. We still have a very extensive refundability portion in this bill as well.

I urge our colleagues to vote for this bill. It is good news for taxpayers. It means for the American family which has taxable income of \$58,000, they are going to save \$1,600 on their tax bill for next year. That is positive, good news for American families and American taxpayers.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I would like to yield to the Senator from Arkansas, Mr. PRYOR. He is a real leader in protecting our Armed Services personnel. In fact, it was he who asked for a GAO report a year or two ago that would highlight and identify the problem which has led to some constructive provisions in this bill. It is a great honor to yield 5 minutes to the Senator from Arkansas.

Mr. PRYOR. Mr. President, I thank my colleague for those very kind words. Also, I would like to thank Senator GRASSLEY. He knows I am a fan of his. We appreciate the good working relationship we have.

It is time that we care for those who take care of us. What I am talking about here is, in the conference yesterday there was a provision that was separated out that deals with our men and women not just in uniform but in combat. They are not receiving, in my view, fair treatment under this tax proposal.

Let me say, I am for this middle-class tax bill. I think it is a good piece of legislation. I commend the Finance Committee. They worked very hard on this. I appreciate all of their leadership. But when it comes time for the earned-income tax credit, I need to talk about that for a second because last year, in fact it was last March, I was in the Armed Services Committee and we were talking about the various benefit packages our men and women in uniform receive and it dawned on me that I am not sure anyone in our Government is connecting all the dots. So I approached Senator GRASSLEY and Senator BAUCUS and asked them to ask the GAO to do a review of military tax issues.

Sure enough, the GAO found a glitch, an oversight, an unintended consequence, as they call it, in the Tax Code, where if soldiers are trying to claim an earned-income tax credit and are also receiving combat pay, they actually get penalized under the Tax Code.

I know Congress never intended this, but it is the way it is. There are about 10,000 of our men and women in uniform today who are actually losing money on their taxes because of this unintended consequence. The amount

of tax dollars they are losing is anywhere from \$335 per taxpayer to \$4,534 per taxpayer.

As I said, this affects around 10,000 of our soldiers. We focus on the ones in Iraq, and certainly our prayers go out for those brave men and women, those heroes, but this also impacts people in Afghanistan and Bosnia and Herzegovina and other places around the globe. The way I feel about it is that so far we have lost 1,039 soldiers in Iraq. In fact, there have been more than 4,000 who have been so injured that they will be unable to return to combat. They are in harm's way for us every single day. They are putting their lives on the line, and I feel strongly that while they are over there fighting for us, we in the Congress need to be here fighting for them and for their families.

Also, when you look at this and you run the GAO numbers, this is peanuts in the grand scheme of things. It is only about \$30 million—that is million with an "m." We don't talk about millions very much when we talk about the Tax Code. We usually talk about billions. This is not very much money to the Federal Government, but this is real money to these people.

I believe strongly that they are in harm's way every single day, and the last thing they need to worry about is getting gypped on their taxes and having an unintended consequence like this.

Now that Congress is aware of this through the GAO report, I think we need to address it. I am very disappointed that in the conference yesterday they only extended it by 2 years instead of 5 years. I think this should receive the exact same treatment everything else does and be extended to 5 years.

Regardless of that, I still believe that is a good piece of legislation. I thank my colleague from Arkansas, Senator LINCOLN. She has been a great leader on the Finance Committee. She has done so many great things. Certainly, Senator BAUCUS and all of the members, Senator GRASSLEY and all these members of the Finance Committee have done great work.

I yield the floor.

Mr. NICKLES. Mr. President, will the Senator from Iowa yield 1 minute?

Mr. GRASSLEY. I yield 1 minute to the Senator from Oklahoma.

Mr. NICKLES. Mr. President, I have heard some statements where people are insinuating that American combat personnel are getting gypped by this bill. That is false. We are giving them a benefit they didn't have before. We are saying they can use combat pay in computing their earned-income tax credit, or not. If it is to their advantage to use it, they can. If it is to their advantage not to use it, they can pass. This is a new provision. This is something they didn't have in the past. They have it now for 2 years.

The Treasury advised against this because it is very complicated, very confusing, hard to monitor. I have already

complained on the floor tonight about how complicated the EIT program is. It already has a 30-percent error rate, and that is without this confusion. This was done previously. The Clinton administration said not to do it. We repealed it at their request. We are putting it back for 2 years. We are trying to see if we can make it work and be factually accurate in computing taxes. This is a new benefit for combat pay which, incidentally, is not taxed. It is a good deal for American soldiers. It is not a bad deal.

I resent the statement implying that they are coming up short. This is a good new benefit for them, and we will see if it works.

I thank my colleague from Iowa.

Mr. BUNNING. Mr. President, I rise today to support the American family and extend important tax relief provisions. This is one of the most important bills we will consider this year on the floor of the Senate. If we do not pass this bill, the Americans that need tax relief the most will instead face a huge tax increase next year.

I have consistently supported continuing the child tax credit, eliminating the marriage penalty, expanding the 10-percent tax bracket for the benefit of low- and middle-income taxpayers, and continuing alternative minimum tax relief. I introduced a bill with Senator Miller 5 months ago, The Working Family Tax Relief Act of 2004, which made permanent most of these important provisions. I am pleased that my colleagues on the conference committee were able to find a vehicle to bring an extension of the important provisions found in the Bunning-Miller tax bill before the entire Congress today.

Tax relief has played a central role in fostering economic growth throughout our economy. The President's tax cuts and our votes here in the Senate helped to revive an economy that was stalling in 2000 and shocked by the tragedies of September 11, 2001. The Senate adopted a tax strategy in 2001 to help America's working families and our economy. In 2003, we voted to accelerate the effective date of some of this family tax relief in order to give these families help as quickly as possible. And as a result, every American family who paid any income taxes during 2003 saw a reduction in their taxes, including well over one million Kentuckians. These Kentuckians will enjoy those lower taxes for this year as well. However, if we fail to act this year, America's working families will face a tax increase next year. We cannot allow that to happen. We cannot take back these tax cuts and threaten the financial security of American families just as they are recovering from the turbulence of the last few years.

Let me explain what is at stake here: If we do nothing, the child tax credit will be cut by 30 percent in 2005. Rather than let the credit revert to the old \$700 level, this legislation will extend the credit at \$1,000 for the next 5 years.

There are over 350,000 taxpayers in Kentucky who count on the \$1,000 child tax credit to help them provide for their families and I mean to do all I can to make sure they continue to receive it.

The lowest-income Americans have benefited dramatically from the new 10 percent tax bracket. The conference report before us today will extend this bracket through 2010. Today, thanks to this new bracket, working Americans are keeping more of their hard-earned paychecks. If we fail to pass this Conference Report, taxpayers with as little as \$7,000 in taxable income could face a tax increase next year. I will not go home to the 1.2 million taxpayers in my state who benefit from the lowered 10 percent bracket without doing all I can do to help them avoid this tax increase.

The accelerated marriage penalty relief will also lapse unless the Senate acts. I have worked for a long, long time to get rid of these stupid provisions of the tax law which discourage marriage. I was thrilled when we were finally able to fix this problem and it is vital to the future of almost one-half million Kentucky families that we do not allow this important legislation to backslide.

There are many other important provisions in this bill. The bill contains fixes to make sure that military families with loved ones working abroad to protect us here at home are eligible to receive the child tax credit. It also continues a provision to assist America's teachers when they pay for classroom supplies out of their own pockets.

This is vital legislation. Without it, we are telling the working families of America that we are no longer behind them and that we no longer want to stimulate economic expansion. The economy and job creation are both on an upswing, but we cannot become complacent. The people who benefit from these vital tax provisions are the backbone of our country and our economy. We cannot withdraw the support we promised working families in 2001 and again in 2003. I urge my colleagues to support this important legislation.

Mr. WARNER. Mr. President, today, as part of the Working Families Tax Relief Act, the Senate will pass legislation that I authored to extend for another 2 years an important tax relief provision aimed at America's teachers. The teacher tax relief benefit in this legislation will provide almost a half a billion dollars worth of tax relief targeted directly at our Nation's teachers.

Why do teachers need this kind of specific tax relief? It is estimated that the average teacher, who is already underpaid, is spending \$521 out of their own pocket each year on classroom materials—materials such as pens, pencils and books. First-year teachers, who typically earn less than the average teacher, spend even more, averaging \$701 a year on classroom expenses.

Why do they do this? Simply because school budgets are not adequate to

meet the costs of education. Our teachers are picking up the slack.

The Teacher Tax Relief Act is a small, yet important sign of recognition by the Federal Government of the many sacrifices that our teachers make. Originally signed into law in 2002 by President Bush, this legislation, which was authored by Senator COLLINS and myself, allowed teachers to take up to a \$250 above the line Federal deduction for classroom expenses. The deduction is available when teachers reach into their own pockets and take money out to buy simple things like pencils, erasers and books to help their students succeed in their education.

As passed in 2002, the Teacher Tax Relief Act was a 2-year tax relief provision. Accordingly, without the extension provided in the Working Families Tax Relief Act, teachers would soon have faced a higher tax bill. With passage of today's legislation, teachers are guaranteed that they will be able to utilize this important tax benefit for at least the next 2 years. I remain committed to working to expand the Teacher Tax Relief Act and to make this important legislation a permanent part of our Tax Code.

Mrs. FEINSTEIN. Mr. President, I rise today to offer my support for tax cuts for the American middle class.

This bill will do the following: extend the \$1,000 per child tax credit through 2010; eliminate the marriage penalty through 2010; extend the expanded 10 percent income tax bracket through 2010; provide one additional year of protection against the alternative minimum tax; and extend through 2005 business tax credits that recently expired or will soon expire.

Although I am disappointed that we could not provide tax incentives to additional energy related industries, such as open-loop biomass, many of these expiring business tax credits will benefit California companies; such as the research and development tax credit and the tax credit for electricity produced from wind energy.

But, the primary reason I support this bill is that it provides tax relief to the average American. These are the people who need the most relief. They are the ones most likely to spend their tax savings. And it is these expenditures that will assist in getting this economy off the ground.

I am supporting this conference report with a mixture of relief—that we recognize that the middle class deserves continued tax relief—and with concern as well, since we are in effect borrowing the money from our children and grandchildren to provide the tax breaks.

For the past 3 years this Government has gone on a fiscal spending spree of unprecedented proportions—cutting taxes and increasing spending at such a rate that we now see the largest deficits in this Nation's history.

This year alone we are expecting a budget deficit of more than \$420 billion

and a cumulative deficit of more than \$2.3 trillion over the next ten years.

In contrast, President Clinton left office with a \$236 billion surplus and a projected cumulative surplus of \$5.7 trillion from 2001–2010. This year's deficit represents a \$658 billion turnaround from 2000.

Last year, I introduced a bill that would rollback the President's 2001 tax cut for those who earn more than \$311,000. By rolling back the top income tax rate from 35 percent to 38.6 percent on income, capital gains and dividends, we would generate \$107 billion over the next 5 years according to the Joint Committee on Taxation. And if we had adopted my proposal as an amendment to this legislation we would pay for more than 73 percent of this tax break.

It is particularly distressing to me that this proposal, and others like it, have been defeated every time they have been offered.

This Congress and President must restore fiscal sanity to our budget and that includes the need for every citizen to share the burden.

Recent reports from the Congressional Budget Office, the Brookings Institute, and the Center on Budget and Policy Priorities have all described the bleak long-term budget outlook—one that this Congress cannot solve without taking decisive action to reduce our long term deficits.

In a recent study from the Congressional Budget Office, the agency warns that the burden of the Federal debt will have a corrosive effect on the economy. The debt will slow the economy and is unlikely to bring the Nation's long-term fiscal position into balance.

While I support this tax cut bill because it provides similar tax relief to the middle class that the President gave to the wealthiest American families in 2003, we need to take a very hard look at whether we can afford any additional tax cuts that are not supported by offsets.

As we all know, for every dollar we borrow, we incur interest and last year we paid a lot of interest. In fiscal year 2003 we spent more than \$318 billion in interest on the National debt. Every dollar spent to pay for interest is a dollar not spent to pay for education, defense, infrastructure improvements, job development, or homeland security.

Additionally, the President's 2004 deficit will place us even further away from the important goal of addressing the looming crises in both Social Security and Medicare. And when the baby boomers begin to retire in 2010, we will be facing even more difficult fiscal times.

In 2003, we spent \$1.2 trillion on Medicare, Social Security, and other entitlement programs. By 2009, we will be spending \$1.6 trillion, 57 percent of the budget. And in 2014, we will be spending \$2.1 trillion or 59 percent.

We have all heard Federal Reserve Chairman Alan Greenspan call on Congress to restrain the growth of the Fed-

eral budget deficit by adopting budget controls that would apply to new taxes as well as new spending. Mr. Greenspan has told the Senate Budget Committee that imposing such controls is "an essential element to restoring fiscal sanity."

Let us remember, that in 1998, following nearly 30 years of deficits and a 17-fold increase in Federal debt from \$365.8 billion to \$6.4 trillion, bipartisan cooperation brought the budget back into balance once again. For the first time in more than a generation, some of the funds which would have gone to pay interest on the debt were instead spent actually paying down the debt.

Now, deficits and interest costs are growing once again.

Finally, while I am supporting the tax cut legislation now before us because it recognizes the importance of helping the middle class, I believe it is critical that Congress restore fiscal discipline by paying for future spending increases and tax cuts.

Mr. HARKIN. Mr. President, the tax conference report before us is a purposeful mix of good and bad. On one side we have the content of the bill that is broadly supported on both sides of the aisle. There are few who disagree with the considerable majority of the conference report's provisions. Increasing the child credit, reducing marriage penalty provisions and the extension of the child credit do help the middle class and those of modest means.

I do think it was unfortunate that the measure did not adjust the child credit so more modest income working families could benefit more fully from the provision.

We do need to fix the alternative minimum tax. This bill kicks the ball down the street for another year. The 2001 tax bill effectively doubled the number of taxpayers impacted by the tax once a short term band-aid expired. So, here we have another 1-year band-aid. This is a growing problem with growing cost estimates to fix it.

The measure extends the R&D credit, the work opportunity tax credit, the wind and biomass credit, all of which I support. Clearly, these credits should be extended for longer periods of time. With this bill, they are only effective for another 14 months, until the end of next year. That is hardly good tax policy. Year after year, the Congress extends these provisions for a short time, not providing a longer term, which would allow business to plan.

However, the biggest problem with this conference report is that it is not paid for: \$146 billion in additional spending with no offsetting of that cost.

This bill comes to the Senate in an abusive fashion. The majority decided to use a very narrow measure in conference and hijacked it to avoid the Senate floor on this far larger package of tax provisions. The majority knew that the provisions were very popular and would pass. But they also knew that there might be a majority in the

Senate that would like to see the provisions paid for.

By not paying for them, by using this conference mechanism, we add to the government's skyrocketing debt. This year we have a record \$422 billion deficit.

The one word that describes the Bush tax policy of never wanting to offset the cost of tax cuts is reckless. When President Bush came into office we were on track to completely eliminate the publicly held debt by 2009. Now, by 2009, we expect—and I am using OMB's own figures—to pay the equivalent of about \$1,000 in interest on the debt for every man, woman and child in America. It is weakening America. It is making us less able to meet the needs of our growing elderly population and our children.

Under a new CBO document released today, we see projections of deficits of more than \$300 billion every year if we follow President Bush's policies, and we see deficits above the current levels a decade from now. Going into the future, with the retirement of the baby boomers, things only get worse.

What we are seeing is a growing debt tax. The interest on those bonds must always be paid, paid by our children and grandchildren.

One solution, I think we must consider is hard and fast paygo rules that were in effect through the 1990s that helped us to reduce the deficits. That is, simply, that if we lower taxes we need to pay for it by raising other taxes or cut spending. If we increase mandatory spending, we must cut other spending or raise taxes.

If we do not have serious, enforceable paygo rules, given the abuse of the conference process we have just seen, we should not allow future Finance Committee measures to go to conference. The only exception should be where clear public agreements are reached that a conference report will be fully paid for.

Mr. ROCKEFELLER. Mr. President, today the Senate is taking important action to protect working Americans from a tax increase at the end of the year. I am pleased to join my colleagues in voting for this bill and supporting middle class families. Of all the tax cuts enacted in recent years, these are the tax cuts that are most valuable and important for working families in West Virginia. These tax cuts should never have been set to expire at the end of the year, and I am relieved that we are putting to rest any worries about taxes increasing next year.

The Working Families Tax Relief Act extends three critical tax cuts that Congress enacted last year. First, it will keep the child tax credit at \$1,000. Second, this bill maintains the expanded 10 percent tax bracket, covering just over \$7,000 in income for individuals or \$14,000 for married couples. And third, it will provide marriage penalty relief. These provisions provide a benefit to virtually every American who

pays income tax, and I have always believed that they ought to be the cornerstone of our tax relief efforts. I objected last year when Congress passed tax relief that provided middle class tax cuts for only 2 years while providing \$150 billion worth of tax cuts for dividends and capital gains over four years. I opposed last year's bill, because tax relief for families was short-changed to provide more benefits to wealthy investors. The legislation I am supporting today is an important step toward fixing the bad bill passed last year.

The legislation we will pass today also includes a critical increase in the child tax credit for low-income families. I have fought for a long time to increase the amount of the credit that could be refunded to families earning between about \$10,000 and \$25,000. These families are struggling to provide clothes, school supplies, and other necessities for their children. Today, Congress is recognizing how hard they work and increasing the value of the refundable child tax credit for them by as much as 50 percent. More than 55,000 West Virginia children will benefit from this improvement.

I would also like to send word to all of our forces fighting in Afghanistan and Iraq that we appreciate the work they are doing and today we are fixing the tax code to be sure that it does not punish them for serving in a combat zone. Because combat pay is not subject to regular federal income tax, some service personnel have found themselves ineligible for the child tax credit or the earned income tax credit, EITC. This was certainly never the intent of making combat pay tax exempt. This legislation rectifies the situation, so that combat pay will be counted as earned income for purposes of calculating both the child credit and the EITC. I daresay that if any American anywhere is earning their income, it is the soldiers, sailors, airmen, and marines who are fighting in some of the most dangerous places on Earth.

Unfortunately, this legislation still has some serious shortcomings. Perhaps the most appalling is that the provision to ensure that service personnel are able to count combat pay toward the earned income credit is set to expire after 2 years. As much as I would like to think that Americans will not be fighting in combat zones two years from now, I am not that naive, and the tax code should be fixed permanently. I am also disappointed that the child tax credit income threshold was not adjusted to protect some of our poorest working families. We know that low wages are not keeping pace with inflation, and because the child tax credit threshold increases with inflation more and more families will lose their child credit every year. I will continue to fight for those families.

I also believe that this legislation irresponsibly and unnecessarily increases the federal deficit. Tax relief to

working families should not be passed down as a bill to our children. But much to my disappointment the leaders on the other side of the aisle have rejected efforts to offset the cost of this legislation, at least in part by closing indefensible corporate tax loopholes. I will continue to fight to eliminate abusive tax shelters, and I hope that all of my colleagues will come to appreciate the need to do so.

Mr. President, this is certainly not a perfect bill. But I have been in the Senate long enough to know how unlikely a perfect bill ever is. The Working Families Tax Relief Act will protect West Virginians from facing higher taxes next year, and I look forward to casting my vote in favor of it.

Mr. FEINGOLD. Mr. President, I will support this conference report. I regret that the important tax cut extensions included in this measure have been used as a political device by the White House and Congressional leadership. We could have had a more fiscally responsible, fully offset package of middle class tax cuts, but the White House and Congressional leadership have blocked that.

Instead, we are forced to choose between two bad options: failing to extend these needed tax breaks, and adding still more to the mountain of debt that has been piled up in the last 4 years.

Let me note that the reason we must extend these important tax cuts, the reason they were not simply made a permanent part of tax law, was because of the choice made in 2001 and 2003 to use the reconciliation process to jam through a partisan tax agenda. Had leadership pursued the usual procedure for tax bills, bringing legislation to the floor subject to the normal amendment process, we would still have enacted significant tax relief, but they would have been permanent.

But, the leadership chose to abuse the special reconciliation process, which was intended not to shelter a tax cut from amendment but to protect the difficult work of enacting deficit reduction packages. Reconciliation was used in order to push through a tax agenda that was skewed. And because they chose that process, they were forced to sunset the tax cuts. So instead of a sensible, and sustainable tax policy, we have this herky-jerky off-again on-again set of tax cuts. That's why we have to come back and extend them. It is why we have this bizarre estate tax policy which phases down the estate tax over several years, then eliminates it completely for a year, and then fully reinstates it back to pre-2001 levels.

This is no way to craft tax policy, Mr. President. We should have reinstated the PAYGO rule earlier this year, as a bipartisan majority of this body went on record supporting. The PAYGO rule was instrumental in helping to reduce and finally eliminate annual budget deficits during the last decade. We need to bring it back.

Mr. President, Congress could have fully offset the cost of this measure,

but it was prevented from doing so for political reasons. I hope the next Congress will stop this nonsense, find sufficient offsets for this tax bill so that our children and grandchildren won't get stuck with the tab, and then reinstate the PAYGO rule that helped us reduce and finally eliminate annual budget deficits just a few years ago.

Mr. KENNEDY. Mr. President, the legislation we are considering today should not be necessary. It is necessary only because the Republican leadership ignored the need of middle class families for meaningful tax relief when they were enacting \$330 billion in new tax breaks that primarily benefit the wealthy last year. If you want to know whose side President Bush and Congressional Republicans are really on, you should look at their record.

Just last year, the Republicans passed a major tax bill. In that bill, they dramatically cut the tax rate on dividend and capital gains income at a cost of \$150 billion. They decided that the tax rate on a worker's hard-earned paycheck should be nearly double the tax rate on a wealthy person's investments. They considered tax breaks for wealthy investors to be a much higher priority than middle class tax relief.

In that same legislation, they spent billions more making sure that upper income taxpayers would benefit from lower rates every year through 2010. And the rate to be paid by the richest 1 percent of taxpayers was reduced the most, with little regard to the cost.

However, when it came to tax relief for middle class families—the \$1,000 child credit, marriage penalty relief, and expansion of the 10 percent tax bracket—the Republicans were far less generous. They voted to terminate the middle class tax benefits contained in the bill at the end of this year. Under the Republican plan passed last year, at the end of 2004—just 3 months from now—the child tax credit will shrink, the marriage penalty will return, and working families will pay higher taxes on their wages. Their Cinderella tax relief for the middle class will vanish at the stroke of midnight on New Year's Eve. What a farce!

The Republican claim of concern for the middle class is laughable. Don't believe what they say. Look at what they do. When they had to choose between real tax relief for hard working families—relief that would not disappear overnight—and new tax boondoggles for their wealthy friends, President Bush and his allies in Congress chose their wealthy friends.

Only now, 6 weeks before the election, when voters have figured out this Republican scam, do we see the President and the leaders of his party scurrying to extend the middle class tax cuts beyond the end of this year. Hard pressed working families deserve to be the first people whose needs are addressed, not the last.

There is a fundamental difference between the way Democrats and Republicans view tax fairness. Democrats believe in providing tax relief from the

bottom up, and Republicans dispense tax breaks from the top down. The record of President Bush and Congressional Republicans shows their indifference to the needs of struggling middle class families. For them, middle class tax relief is nothing more than an election year afterthought.

Even now, as Congress prepares to extend the \$1,000 child credit beyond this year, the Republicans are once more refusing to help those families most in need of relief. Many families struggling to survive on the income from a minimum wage job will not get the benefit of the larger child credit. In fact, some may be denied any child credit at all.

The earnings threshold for the child tax credit is indexed to inflation. Each year, the amount of income a family needs to qualify for the credit goes up. Unfortunately, we all know that the wages of low income workers have not been going up, not keeping pace with the cost of living. Even though minimum wage workers have not received an increase for 7 years, the Republican leadership has repeatedly refused to consider legislation giving them a raise. A full-time, year-round minimum wage worker makes about \$10,700 annually. By next year, that will not be enough to qualify for the child tax credit.

What could be more unfair? Congress increases the child tax credit to help working families, but denies the credit to those low-income working families who need help the most.

It is truly outrageous! If Congress does not correct this injustice, more than four million families with nine million children will see their child credit shrink or disappear entirely next year. These are families that are already struggling to survive. How would you survive as a single parent trying to raise two kids on \$10,700 a year?

Congress could easily correct this arbitrary cut-off. All we need to do is maintain the threshold at \$10,000 rather than automatically increasing it every year. However, when Senator Lincoln offered an amendment to make that simple fix, all but one of the Republican conferees voted no—killing her amendment. And President Bush, by his silence, is an accomplice to this outrage. Nine million children in low-income families get left behind—again.

Once more, this Republican Congress has turned a deaf ear to those most in need. First, they refuse to increase the minimum wage for working families. Then, they cut overtime pay for millions of workers. And now, they deny those families the benefit of the child tax credit because their wages have not kept pace with the cost-of-living.

The American people are a fair and compassionate people. They will be as outraged as I am when they learn of this injustice. They will have an opportunity to voice their outrage in just 6 weeks.

Mr. LEVIN. Mr. President, I will vote for this conference report because in

this sluggish economy, average American families need all the help they can get. Just a few weeks ago the Census Bureau released new national figures showing that for the third year in a row poverty has risen and incomes have fallen. In fact, the typical family has seen its income fall by more than \$1,500. Employer-sponsored health insurance coverage has continued its decline and there are a whopping 45 million Americans who are uninsured. Extending these tax cuts that are aimed at helping families by expanding the child tax credit and the 10 percent income tax bracket in addition to marriage penalty and AMT relief is an important part of any economic plan.

I would have much preferred to vote for a conference report that paid for the extension of these cuts. They could and should have been paid for. Continuing to deepen our extraordinary deficit ditch will ultimately hurt the very same lower and middle class families that this legislation aims to help.

Earlier this year I supported, and the Senate passed, PAYGO, which would have required that in addition to paying for all spending, we would have to pay for all tax cuts as well. This concept is common sense for most families, who work to live within their means by balancing what goes out with what comes in. Unfortunately, PAYGO was rejected by the House Republican leadership, so we do not have to offset the cost of these or any tax cuts. Now that these cuts are going to be extended through 2010, I hope there will be a renewed support for PAYGO.

But PAYGO or not, there was no good reason for those who put together this conference report not to offset these tax cuts. The estimated 10-year cost of these extensions is \$146 billion. There are a number of possible offsets available. In May the Senate passed the FSC/ETI bill with \$170 billion worth of them. Numerous times now the Senate has passed legislation that raises revenue by curbing tax abuses. Unfortunately, each time the House Republican leadership has blocked these provisions, so they have not yet become law. There is no good reason to let tax dodgers continue to abuse the system while our deficit skyrockets. If the drafters of this conference report could not find acceptable ways to pay for a lengthy extension, then the extension should have been shorter. It is too bad that the pay-for proposals Senator BAUCUS made in the conference committee were defeated.

As Alan Greenspan has said, "You should not be borrowing for your tax cuts." I am concerned that over the long term, many middle-class families will end up worse off from the fiscally irresponsible tax cuts this Congress has enacted since 2001. That is because paying for the debt we are racking up will eventually require either massive tax increases or program cuts, or likely both. We all know that our fiscal outlook is grim. The Federal Government is expected to borrow about one of

every five dollars it spends this year. CBO projects the deficit this year will be \$422 billion. Most analysts agree the budget picture will worsen considerably within the coming decade, as the huge baby-boom generation will begin relying increasingly on Social Security and Medicare, driving those programs' costs upward.

In addition to raising the likelihood of cuts in important domestic programs, a bigger deficit makes it more likely we will face rising long-term interest rates. That would mean it will be more expensive to buy a house, pay for college or pay off credit card debt. As Senators CONRAD and DODD said on the floor yesterday, our enormous and growing debt means average consumers could see interest rate hikes that will dwarf any tax cut they may get. Especially when so many Americans have variable-rate mortgages, car loans and other debts, the rising interest rates that are predicted to accompany swelling deficits will have a very real and immediate impact on many American families. That's not what Americans need.

I also want to express my disappointment that the conferees rejected Senator LINCOLN's worthy amendments to prevent the refundable child tax credit floor of \$10,000 from being indexed to \$11,000. This means a full-time minimum wage earning parent will receive no benefit from the tax credit because her income of \$10,300 falls short of the \$11,000 floor. If the purpose of this bill is truly to help those in the lower and middle income ranges, this should have been one of the first items to be included. It would have helped 9.2 million children in 4.3 million families gain an increased portion of the credit.

This conference report also plays games with the timing of one of its most important pieces. Under a glitch in current law, many men and women in our armed services are denied their earned income tax credit and child tax credit because combat pay is excluded from the definition of earned income for the purpose of calculating these tax provisions. This conference report fixes the glitch with respect to the child tax credit, but only fixes the EITC glitch for two years. So in 2006, taxes will be raised on thousands of the men and women in our military who put their lives on the line for our nation.

I think it is of the utmost importance that our service members are adequately compensated for their duties, and that we offer them a quality of life that will enable them to continue to serve and to live comfortably. Service families deserve a quality of life comparable to that of their civilian counterparts. Quality of life for our service members is particularly important now when the extensive commitments of our military forces are pushing our military families to the limit.

Yet as this legislation extends tax breaks for millions of American families through 2010, it takes away tax benefits during that same time for

service members and their families who have the lowest levels of income. There is no reason why a reservist who would otherwise get the full EITC should be forced to lose part of it if he or she is called up and sent into a combat zone. But that is what this legislation will do.

Making this provision permanent would have been a very small part of the cost of this \$146 billion bill. I understand it is approximately \$30 million over 10 years. Yet it was not done that way, despite the direct effect on those service members who we have sent to the most dangerous corners of the world Iraq and Afghanistan for example. These brave soldiers do not deserve to have their tax benefits taken away. But that is exactly what today's conference report does.

I wish this conference report didn't create this problem, but I am hopeful that with the leadership of Senators PRYOR and LINCOLN, who have put lots of hard work into this issue already, we can soon fix this timing issue and end the glitch permanently. It is the least we can do for those who put their lives on the line for our country.

Ms. SNOWE. Mr. President, I rise today regarding the tax bill before the Senate that would extend certain tax provisions set to expire this year.

Let me say that I support the policy underlying the tax measures contained in this conference report. What I find regrettable, however, is that we are even at this juncture where we are faced essentially with a choice between these tax reductions and fiscal responsibility—when, in fact, we could have achieved both.

Instead, we have before us a tax package that will directly add \$146 billion to the Federal deficit. Why? Because the 2003 tax package sunset after one year rightfully popular measures of benefit to middle-class and lower income Americans—that also provided short term economic stimulus—this year, in order to pay for other tax reductions over 5 years that are not geared toward short-term stimulus. As a result, here we are, about to enact 5 years of \$146 billion in tax reductions over and above the \$350 billion we passed last year—when we could have provided for 5 years of these same, worthy tax cut measures with last year's \$350 billion package.

I supported the \$1.35 trillion, 10-year tax relief plan of 2001 because, at that time, the tax burden was the highest it had been since World War II—and also to provide an “insurance policy,” to paraphrase Chairman Greenspan, against a more prolonged economic recession that we now know began six months before President Bush took office.

Then, in 2003, an effort was made to accelerate some of the tax relief from the 2001 bill—specifically, lower marginal tax rates, marriage penalty relief, and the \$1,000 child tax credit. Indeed, over a year ago, Senator LINCOLN and I—along with others on the Senate

Finance Committee—worked to correct a glaring flaw in the 2003 tax bill.

Specifically, while the 2003 tax bill accelerated the phase-in of lower marginal rates, the \$1,000 child tax credit and other provisions, it did not accelerate a scheduled increase in the percentage amount of the child tax credit that is refundable for lower-income workers. The motivating force behind the vehicle before us was to accelerate an increase in the portion of the child tax credit for lower-income families that were left behind in the final 2003 tax bill.

I would very much have preferred to have been able to vote to have those accelerations in place without a sunset in last year's tax package conference report. And, again, I would very much like to vote this year to extend these three tax cuts as prescribed by this conference report.

Indeed, last year during Finance Committee markup of the bill, I developed a means by which we could pass these tax cut accelerations through 2010 while limiting the total impact to the amount agreed to in the budget resolution. Regrettably, however, while we were successful last year in the Finance Committee in passing these three tax reductions as part of the \$350 billion package I supported in committee, the responsible path was ultimately not taken in the conference report.

Unfortunately, the final 2003 tax bill scaled back the tax relief for working families by imposing a sunset on the most popular tax cuts, forcing them to expire at the end of this year. Moreover, the 1-year sunset of these incentives was done solely to allow for a larger tax cut on dividend income within the \$350 billion cost of the package. I said at the time that the action Congress inevitably will take on the popular tax cuts after that year elapses will result in a true cost of the 2003 tax bill far in excess of \$350 billion and closer to an estimated trillion dollars. Today, Congress is in fact about to increase that cost to \$496 billion.

It could have been otherwise—and indeed, I have offered several alternatives this year. In July, I joined a bipartisan group of Senators in putting forward a plan to extend these middle-class tax provisions with no net cost to the Government. The revenue offsets that we put forward are ones that both the Senate and the House have passed previously. Regrettably, that approach has been rejected in favor of the view that any provision that increases revenues, even if it improves the efficiency of the Tax Code, cannot be acceptable.

Fiscal responsibility and reducing taxes do not have to be mutually exclusive goals. Yet, unfortunately, what is before us today is a \$146 billion bill—none of which is paid for. Again, I support these tax provisions, but I cannot vote for a proposal that rejects the available, responsible alternatives.

I yield the floor.

Ms. MIKULSKI. Mr. President, I rise today in support of the Working Families Tax Relief Act of 2004.

Working families deserve tax relief because the middle class is being squeezed from all directions. Our middle-class families are stressed and stretched. Families in my State of Maryland are worried. They are worried about their jobs. They are terrified of losing their healthcare, as health care costs keep ballooning. Many are holding down more than one job to make ends meet. They are racing from carpools to work and back again. And they want to know what we in the Senate are doing to help them.

That is why I support a family friendly tax code. A tax code that helps families send their children to college. A tax code that helps families to care for their loved ones and helps small businesses provide health care for their employees. That is what I am going to keep standing up for in the U.S. Senate.

The criteria I use for evaluating tax cuts is simple. Tax cuts should be targeted, temporary, and do not add to the deficit.

This bill meets some of my criteria. It is targeted to the middle-class and that is why I will vote for it. It is temporary. This bill gives the middle-class immediate help, but only extends the middle-class tax cuts through 2010. I hope that when we come back to these tax cuts, we find a way to pay for them.

This bill would provide much needed tax relief to working American families caught in the middle-class squeeze. There are three provisions to this bill that will most help alleviate the stress and strain on the middle class.

This bill would extend the \$1,000 per child tax credit for 5 years. If the child tax credit is not extended, families will only receive a credit of \$700 per child in 2005, and the credit would not reach \$1,000 again until 2010.

Next, this bill would extend the marriage penalty relief passed in 2003 by making the standard deduction for married couples double the amount for individuals. That just makes sense. This bill also expands the 10 percent and 15 percent tax brackets, so that married couples can make more money and not be penalized with higher taxes. Unless the marriage penalty relief is extended, married couples could see their tax bill rise by as much as \$1,165 in 2005. When so many Americans are feeling stretched and stressed, I think that is wrong.

Lastly, this bill would extend the expanded 10 percent bracket which provides tax relief to millions of taxpayers. The 10 percent tax bracket was increased temporarily to give people a short term economic stimulus, but, if the middle class tax cuts are not extended, taxes for many will increase taxes by \$50 per year for singles, and \$100 for couples.

But this bill also has major problems. This bill fails our military families by raising taxes in 2006 on active duty

military, reservists, and National Guardsmen who have been deployed in combat. This bill provides tax cuts for middle class families for the next 5 years and I support that. But this bill only provides 2 years of tax relief for our lowest paid combat military personnel. Just as the War on Terror is ongoing, so must our support be for our troops. This bill only fixes this problem for two years. I support fixing this problem permanently. That is why I will work with my colleagues on a bill to fix this problem.

This bill also fails one of my criteria for tax cuts. This bill would add nearly \$150 billion to the deficit. We can have strong economic growth, low inflation, and low unemployment, but we must do so in a fiscally responsible way. I hope that next time we consider tax provisions to help our working families we get it right and find a way to pay for them.

I will vote for this bill, but I do so with warning lights. I am concerned about the effect deficits will have on our ability to meet the promises of Social Security and Medicare. I am concerned about its impact on military families.

The job of Congress is not only to provide tax relief for working families, but also to make sure that we pay for those tax cuts. Through fiscal responsibility, Congress can take care of working families today and in the future when they retire.

Mr. HATCH. Mr. President, I rise to express my support for the conference report now before the Senate, which will save millions of American taxpayers from suffering a tax increase on New Years Day 2005.

I want to congratulate Chairman GRASSLEY, who chaired this conference, as well as the other Senate and House conferees, for their perseverance in finishing this tax bill, which has presented challenges.

The individual tax cuts Congress passed in 2001 and 2003 have been instrumental in the turnaround of our economy from stagnation to healthy growth. For various reasons, when passing these bills we were not able to make the provisions of those tax cuts permanent, and some key elements of them are scheduled to expire on the last day of this year. The conference report before us extends three of these provisions for 5 years: the marriage penalty relief in the standard deduction and in the 15 percent bracket; the new 10 percent bracket; and the \$1,000 per child tax credit. In addition, the legislation extends the higher thresholds for the individual alternative minimum tax for another year.

This last provision is very important to an increasing number of families in my home State of Utah, who are unfairly being thrown into the AMT regime simply because they have large families. And while this provision does not permanently fix the AMT problem, it does give temporary relief for millions of Americans who would other-

wise be joining the unlucky ranks of alternative minimum tax filers.

While I would prefer to see these provisions, along with all the other parts of the 2001 and 2003 tax cuts made permanent, a five-year extension is a very good step. The provisions being extended by this legislation will now be set to expire at the same time the remainder of the tax cuts run out, December 31, 2010. Thus, they can hopefully all be made permanent at the same time, which would ideally be well before that time.

I am particularly pleased to see that the conferees decided to include in the conference report the extension of a set of very important expiring business tax provisions, along with the individual ones. These include the research credit, of which I have long been an advocate. This tax credit expired on this past June 30.

As I think most of my colleagues will agree, tax provisions that are temporary add confusion, complexity, and uncertainty to our tax system. These problems are made worse when worthy provisions, such as the research credit, are allowed to expire and are then later reinstated. A permanent research credit would have been greatly preferred to our bad habit of routinely allowing vitally important tax provisions to expire and then reinstating them, sometimes months after their expiration. Such actions are often done in the name of revenue savings to the Treasury, but this is a false argument. A series of shorter-term extensions of these provisions costs no more than does a permanent extension. What this practice does, however, is contribute to the lack of confidence that taxpayers feel in our tax system, so it a corrosive thing to do.

Moreover, I am disappointed that the legislation before us does not include the Senate language that expands the research credit. The Senate version of the research credit was based on a bill authored by the Senator from Montana, Mr. BAUCUS, and this senator, which would have dealt with a very serious shortcoming with the current research credit. Essentially, this shortcoming prevents thousands of research-intensive firms, many in my home State of Utah, from being able to take full advantage of the incentive the research credit is supposed to provide.

Nevertheless, it is a very positive thing to have this conference report include the extension of the research credit and several other provisions that are important to American businesses and their employees and customers. This includes the work opportunity tax credit and the welfare to work credit, both of which make a difference in hiring disadvantaged workers.

I am also very pleased to see the inclusion of provisions to help military families. These brave men and women and their families who are sacrificing so much deserve to have tax provisions that at least do not penalize them for their service.

This conference report deserves the support of all of our colleagues. Is it the best tax bill we could pass? Of course not. But, given the difficulties of passing any legislation this late in the congressional session in an election year, it is quite an achievement. I again congratulate the conferees for their hard work, and I especially commend the chairman and ranking Democrat on the Finance Committee for their leadership.

Mr. BYRD. Mr. President, Plato began "Book Three" of *The Republic* by posing the following question: Have we come here looking for genuine discourse or fool's gold?

It is hard to believe Senators are here today looking for genuine discourse.

The legislation before the Senate was packaged into a conference report to prevent Senators from offering amendments, even though the Senate never considered legislation to extend these tax cuts. The Senate Finance Committee never reported legislation to extend these tax cuts. This legislation has been rushed to the Senate floor, prohibiting any kind of meaningful debate.

I don't deny the allure of tax cuts. A \$1,000 child credit for a family of four can provide some benefit for families. Likewise, the elimination of marriage tax penalties can serve a valuable social purpose. I have cosponsored legislation both to eliminate marriage penalties and to expand the child credit.

But to promise tax cuts to a worker whose job has been lost overseas, to promise tax cuts to a family that is without health insurance, to promise tax cuts to retirees whose pensions have been lost, and to pretend that a tax cut will address the plight of these working Americans, is to promise fool's gold.

The Bush administration has exhausted trillions of dollars on a failed fiscal policy that advocates tax cuts for wealthy above everything else—tax cuts before jobs, tax cuts before health care, tax cuts before pensions, tax cuts before securing out homeland, tax cuts before the needs of working American families.

American workers continue to wait for the return of the 3 million jobs lost during the Bush presidency. Unemployed workers whose jobs have been lost overseas are forced to accept low-wage positions without benefits.

Today, 45 million Americans lack health insurance. Health care costs have spiraled to prohibitive levels, and those lacking insurance are forced to do without adequate medical care. Even those with insurance are seeing their health care costs increase as employers shift the burden of higher insurance premiums to their employees.

Today, workers and retirees counting on the pension benefits promised by their employer must watch helplessly as those promised benefits are cut.

These are real issues, and, while a tax cut may put some extra money in

taxpayers' pockets, it won't replace a job lost overseas, it won't replace the loss of health insurance, it won't make America safer, and it won't protect against the loss of a pension.

Nevertheless, I recognize that, while doing little to address these underlying economic concerns, it will, at least, provide some relief to working American families. Further, it will preserve scarce resources for working families and prevent those resources from being siphoned away to finance tax cuts for the wealthiest Americans.

I will vote for this legislation, but I caution workers not to be fooled by the rhetoric that will accompany its passage.

This administration, this Congress is no friend of the working man.

Whatever dollars you receive from these tax cuts, they will not offset the wages that this administration has taken from you by denying you overtime pay, by blocking an increase in the minimum wage, and by refusing unemployment benefits for jobless workers.

The Bush administration's fiscal policies have squandered the limited opportunities available to help American families find work, to provide American families with health care, to protect the pensions of retirees.

This legislation is throwing a bone to the middle-class after 3 years of tax cuts for the wealthiest Americans. It is something, but it is far, far less than what is needed and suggests only the callous indifference of this President and this Congress to the needs of working American families.

Mr. DODD. Mr. President, I rise today to talk about the extension of the middle-class tax cuts that the Senate will pass shortly.

While the conference report to accompany H.R. 1308, the Working Families Tax Relief Act of 2004, is not perfect, I do plan to support this initiative because I feel strongly that we should provide tax relief to working families.

These are families that work hard and play by the rules. Over the past 3½ years, they are also families who, as a group, have suffered the most from the economic slowdown. In general, they are working harder, earning less, and paying more for the necessities of life. The least we can do for these families is provide them with some measure of tax relief to make their financial burden a bit lighter. Tax bills enacted in the previous 3½ years primarily benefitted the very most affluent. The conference agreement we consider today benefits those who truly need tax relief.

This conference report extends four important middle-class tax cuts that are set to expire at the end of this year. These are: first, the \$1,000 child tax credit, which has been scheduled to fall to \$700 next year; second, the current 10-percent income tax bracket; third, a set of tax measures to offset the marriage penalty; and fourth relief from the alternative minimum tax,

which without action, would unfairly force more middle income families into paying higher taxes totaling \$23 billion over the next 10 years.

The conference report also provides assistance to military families in combat zones by increasing the Earned Income Tax Credit, EITC, and the child credit for military families in 2004 and 2005 by giving them the option to include combat pay in their calculations. This provides an additional \$199 million of assistance to military families in combat zones since under current law many soldiers are denied their rightful EITC and child credit because combat pay is excluded. While this is just a two-year fix, I look forward to working with my colleagues to ensure that Congress take action to permanently fix this glitch in the law.

I was pleased that the conference report also includes several provisions that are vital to education, environmental protection, and job growth. These include the teacher expense deduction, which allows teachers to deduct up to \$250 annually for their classroom expenses; expensing of Brownfields environmental remediation costs; tax credits for electricity produced from certain renewable resources; and the extension of the research and development tax credit, which has done much to create jobs and enhance our Nation's competitiveness.

However, while I will support this conference report, it is at best incomplete legislation for two reasons. First, because it fails to pay for the more than \$145 billion in tax cuts that it contains.

I am very concerned with the shocking deterioration in fiscal discipline by the administration and congressional leadership. When President Bush took office in January 2001, the Congressional Budget Office projected a Federal budget surplus of \$5.6 trillion by 2011. Today, that projected record surplus has turned into a record deficit that is expected to total \$4.4 trillion over the next 10 years.

Regrettably, efforts to make this package a more fiscally responsible one has been blocked and rebuffed by the leaders of this Congress, including the efforts by members of the leadership's own party. Just 2 months ago, several Members from both sides of the aisle proposed a package which would have ensured that not a penny would have been added to the deficit. But the proposal was rejected by the administration and Republican congressional leadership.

According to an address this week by Rodrigo de Rato, the President of the International Monetary Fund, budget and trade deficits in the United States are a large and growing threat. He stated, "We believe that such a large imbalance is a risk not only to the United States economy, but to the world economy."

We know only too well from past instances that if deficits are left un-

checked, they will exert an enormous upward pressure on interest rates and in so doing will increase the cost of homes, cars, higher education, and establishing and running a small business. These increased costs have the potential to dwarf any relief provided by a bill such as the one now before the Senate.

I also find it lamentable that the Senate was not provided with an opportunity to consider this legislation in its entirety since what has been brought before us is a conference report most of whose provisions were never brought before the Senate for full consideration. Had it been fully debated in the Senate under normal procedures, Senators might have been able to make this legislation more fiscally responsible. But because of the procedural tactics of Republican Congressional leadership, Senators never had a chance to do that.

The second reason why this legislation is at best incomplete is that it fails to lower the income threshold for the refundable child tax credit. By not including this important provision, 4.3 million hard-working families will see the value of their child tax credit significantly diminished. That is unfair to those men and women working to lift themselves up economically and provide a decent life for their children.

And so while I am going to support this legislation, I would like to make it very clear to this body that I do not think that our efforts to help working families are adequately discharged by this legislation.

There is much work to be done to give poor and working people meaningful opportunity to achieve secure lives for themselves and their children now and for generations to come.

I yield the floor.

Mr. FRIST. Mr. President, in 1969, Congress passed the alternative minimum tax. It had come to light that a small group of wealthy individuals were using exemptions in the tax code to evade paying any taxes at all. Congress passed the minimum tax law so that high income earners would be obligated to pay a minimum amount in taxes no matter what.

That was then.

Today, the minimum tax has grown to penalize middle class families and small business owners. There are a number of reasons. One is that the alternative tax brackets have never been indexed to inflation. We all know that a dollar in 1969 went a lot further than it does today. But the minimum tax doesn't take this into account. And today's middle class families are getting hit with higher tax bills.

Consider if you are married, filing a joint return, and your family makes more than \$58,000 a year, you may be liable under the alternative minimum tax to owe additional Federal income tax.

If you are a single mother who makes \$35,000 a year and gets a little over \$5,000 in alimony payments, you could owe more taxes.

Standard deductions that the Congress has passed to help support families, encourage homeownership, allow for taxable State and local refunds, can actually force middle class families to pay more in Federal taxes.

The national taxpayer advocate, the person responsible inside the IRS to look after the taxpayer's interests, says the alternative minimum tax is the number one problem facing American taxpayers. A law that was only supposed to apply to 155 super wealthy taxpayers in 1969 will hit more than 30 million taxpayers by 2010.

Clearly that is not what Congress intended. And clearly it is not fair. Middle class families should not be punished by a law that was never intended for folks at their actual income level.

That is why we must take a serious look at repealing the minimum tax law for individuals. Some people call the AMT the Government's ATM. It collects billions of dollars for the Government coffers. And some people do not want to let that money go. But that money is the taxpayer's money. Rather than resist reform, we should look at the overall tax code and consider options for fundamental tax reform.

In 1986, under President Reagan's leadership, we dramatically simplified the tax code. Ever since then, and especially in the 1990s, we have layered the tax code with all sorts of special exclusions that have very little to do with making taxes fairer, simpler and more equitable. Ask any family trying to fill out their tax forms each year: we have reached a point where the code is becoming complicated than it was in 1985.

I urge my colleagues to look at this issue closely. It's a matter of fairness, and for millions of American families, a matter of money, money that could be sued to ease the grocery bill, buy a new washing machine, or take the family on a weekend road trip.

While I am talking about tax reform, I had like to highlight some of the tax reforms we are working on right now. We are extending a number of crucial family tax breaks which expired at the end of last year. For example, we are working to extend the welfare-to-work credit, the work opportunity tax credit and many other important expired measures.

These provisions have already passed the house and the Senate as a part of the FSC/ETI JOBS bill.

By moving this package of extenders, which include middle class tax relief, we will facilitate a speedy conclusion to the JOBS bill which is critical to growing jobs in the manufacturing sector.

Reforming the minimum tax, extending child tax credits, all of these initiatives are to help hard working Americans meet their needs and obligations.

Thanks to the President's 2001 and 2003 tax relief, 14 million low income families will receive tax refunds under the refundable child credit in 2004, compared to only 1.6 million had the President's tax relief not been enacted.

Combined with the earned income tax credit, 24 million low-income families will receive direct assistance this year through the tax code.

The legislation before the House and Senate will benefit 6.8 million low-income families by increasing their tax refunds in 2004.

For example, a single mother in Tennessee with two children who earns \$20,000 would get a refund of \$1,388 in this year, \$463 more than under current law, and \$1,388 more than pre-2001 law.

This refund is entirely due to tax relief signed into law by the President since 2001, and is in addition to the \$3,025 refund she gets under the EITC. Her total refund in 2004 will be \$4,413.

As I have said, and many of my colleagues have said time and again, our job is to put more money back into the budgets of America's families. They know better than the Government how to spend their hard-earned dollars.

Mr. BAUCUS. Mr. President, I yield 2 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 2 minutes.

Mr. DAYTON. Mr. President, I am delighted to rise in support of the tax bill which I believe will pass on an overwhelmingly bipartisan basis. I commend the chairman of the Finance Committee and the ranking member for a bill that I will be proud to vote for and one that I, frankly, wish had passed in 2001, 2002, and 2003—the kind of bill that I voted for back then as a substitute amendment that didn't pass. This bill is truly targeted toward middle-income taxpayers, largely and predominantly so.

As my colleague from Arkansas pointed out, there are some provisions that I wish were included, and I am sure others as well.

But overall, this is a very good, targeted middle-income tax cut bill that will put money into the pockets of working families, working single individuals. It ought to be our policy in the future to keep our tax measures targeted toward those who pay the bills and those who are in greatest need of earned-income tax relief.

I point out if we had kept the focus on this kind of tax relief in the past, we wouldn't have the kind of deficits we face today. We wouldn't be passing on the new bills to our children and grandchildren who are going to have to face up to it eventually.

But I support those who have said tonight that regardless of that situation, this is much needed and it will be well used and, hopefully, we will continue the recovery from the serious recession that we suffered over the last few years.

I am a little leery of those who say these tax measures are the cure-all for what has occurred because they continually refer back to points in time that are rather selective. If we go back to the beginning of the Bush administration, we are looking at a serious jobs

deficit. We are still suffering a loss of over 3 million manufacturing jobs since that time.

I wish these tax measures and those that preceded them were the cures for the economic ills. I fear they are not in isolation.

I commend the architects of this measure, and I urge my colleagues to join with me in supporting and passing it tonight.

Mr. GRASSLEY. Mr. President, I yield myself such time as I might consume. I will take a few minutes in closing this debate to thank some folks who made this tax relief possible.

First of all, as I said in my opening remarks, President Bush made middle-income tax relief a priority. He pursued this package with focus, with determination, and with good humor.

The bottom line is, we wouldn't be here today without the leadership of our President.

Next, I would like to thank our majority leader, Senator FRIST. Like the President, Leader FRIST made this bill a priority. His patience and dedication in backing me as we moved through the conference process was very important.

Then I would like to thank for the second time, and not too many times can I do that because not enough times make up for the cooperation I have received, my friend and colleague, Senator BAUCUS, the ranking member on the Democratic side in the Finance Committee. We didn't agree on all points, as he stated, but we agreed on most of the substance of the bill and the direction of the policy. Senator BAUCUS and other conferees, including Senators LOTT, NICKLES, and LINCOLN—each of the conferees brought strong views to the process. Sometimes those views differed sharply.

For instance, as you have seen in tonight's debate, Senator LINCOLN and Senator NICKLES also do not agree on refundable tax credits. Both of them made principled reasons for their views. They are passionate.

The conference agreement reflects a fair balance of those sharply divided positions.

This bill would not have come to the floor without the work of staff. I thank them very much. I would like to thank Senate Finance Republican staff, Kolan Davis, staff director; Mark Prater, chief tax counsel; Ed McClennan; Elizabeth Paris Dean Zerbe, whom we also refer to around here on the floor as "the white tornado." We also thank Christy Mistr. She happens to be a brandnew mom. She came back early to help us get this bill worked out. We thank also John O'Neill, a new addition to our staff; Adam Freed, graduate of the fine school known as the University of Northern Iowa where I graduated; also, our press team of Jill Kozeny and Jim Gerber. They helped our committee get the word out.

Then, on the Senate Democratic staff, obviously, very good staff, very professional: Russ Sullivan, staff director; Bill Dauster; Patrick Heck; Melissa Mueller; Matt Jones; Anita Horn

Rizek; Jon Selib; Judy Miller; Matt Grenasci; Matt Stokes; and Ryan Abraham; Senate legislative counsel: Jim Fransen, Mark Mathiesen, and Mark McMonagle.

And then we have on the Joint Tax Committee: George Yin, Tom Barthold, and their entire crew.

And then we have the GOP leadership staff: Lee Rawls, Eric Ueland, and Rohit Kumar all helping.

With Senator LINCOLN's staff, Mac Campbell; Senator NICKLES' staff: Rachel Jones, and Hazen Marshall.

Mr. President, I would like to sum up what this bill is all about.

As the bill title says, it is about America's families. It is about providing tax relief to hard-working men and women in America. When I think about it, I consider the families on the farms back home. In the fields of Iowa, folks are starting the harvest. In the factories of Davenport, IA, and in the offices in Des Moines, great insurance companies, people are working hard to raise their kids, and this bill will help them.

Let me take some time here to correct what have been very troubling statements about the Working Families Tax Relief Act and its benefits for low-income working families.

Let's be clear—this bill provides enormous benefits to working families and especially to low-income families.

Let me remind my colleagues of where we have been on this bill. The Senate passed legislation in 2003 that called for accelerating the refundability of the child credit from 10 percent to 15 percent, providing for a uniform definition of a child, and including combat pay for purposes of calculating the child tax credit. That was what the Senate passed in 2003. At the same time, the other body passed legislation that also accelerated the refundability but the other body did not include the uniform definition of a child and did not include the combat pay provisions as it relates to the child tax credit.

We then went to conference and thanks to President Bush's leadership we have been successful in reaching an agreement.

What does our conference bill do in regards to the Senate-passed legislation affecting low-income families? The conference report agrees with every single one of them. Let me repeat that, the conference report accepted every single provision in the Senate-passed bill that was directed to helping low-income families.

The conference made the uniform definition of a child permanent. This is an extremely important simplification effort that creates a uniform definition of a child for the dependency exemption, child credit, the Earned Income Credit, the dependent care credit, and head-of-household filing status. This long-overdue simplification makes many more taxpayers—especially low-income taxpayers—eligible for a child-related benefit. This is at a cost of over

\$1.5 billion over 10 years and is the only substantive tax provision in this bill that is made permanent.

The conference agreed to accelerate refundability and also the combat pay provisions in the Senate-passed legislation. These two provisions provide over \$2 billion in benefits.

So again, as people wring their hands, lets remember that the conference agreed to every single tax provision in the Senate-passed bill targeted for low-income families. In fact, there was only one provision in the Senate bill that was targeted to help families making over \$100,000—the elimination of the marriage penalty of the child credit. What happened that provision? It was dropped in conference.

But the conference did not stop with just accepting all the Senate provisions that help low-income families. The conference added to the provisions that will help low-income families.

First, the conference provided expanded benefits for our men and women in uniform receiving combat pay. They will now also be able to get expanded benefits under the earned income credit. While combat pay is excluded for income purposes, our soldiers, sailors and airmen can elect to include combat pay if it will assist them in getting an increase in the earned income credit.

This is a new provision that helps low-income military families. It was not included in the Senate proposal. This, combined with other provisions in the bill means that targeted relief for low-income military families receiving combat pay is increased in this conference report by nearly six times over what was provided in the Senate proposal. Let me repeat that, the conference report provides almost six times greater targeted relief for military families receiving combat pay than was included in the Senate proposal.

Turning to the other items that assist low-income families: Second, the conference increases the child credit to \$1,000 and extends it through 2010. This will benefit low and middle-income families.

Third, we extend the lowest tax-bracket, the 10 percent tax bracket, which at its core benefits low-income families.

Fourth, we extend marriage penalty relief which helps low-income taxpayers along with all taxpayers.

There is over \$23 billion in outlays contained in this bill—that reflects primarily the extension of the child credit, the lowering of the rates and refundability portions. Thus, of a \$145 billion tax cut, over \$23 billion of it is targeted to low-income families who have little to no federal income tax liability.

So lets put this to rest. The conference report is better than what the Senate proposed for low-income families and better than what the Senate proposed to help military families.

Now, let me turn to another chestnut that has been put out. That chestnut is

that the tax laws will harm 4 million low-income families. This is a bait and switch focusing on one issue and ignores the overall tax code and all the tax legislation contained in this bill.

The threshold for the refundable child tax credit—included in the 2001 bill—is that for those who do not pay taxes should still benefit from the child tax credit beginning at \$10,000 in income—and that was indexed for inflation. This was agreed to by the supporters of this provision in 2001 and eliminating the index was not included in the Senate proposal last year.

Unfortunately we are now hearing from those who don't want to be reminded of these facts.

I am saddened by those who want to muddy all the tremendous work we have accomplished for working families in this bill. To argue that we are raising taxes on those making less than \$11,000 or less is completely and utterly wrong. First, it is current law that requires indexing, there is nothing in this bill that requires indexing. Second, these are families who do not have a federal income tax liability. They pay no taxes. So it is wrong to say that they are having an increase in taxes.

Third, the naysayers completely ignore the benefits being provided in this bill when they pull numbers from thin air. For example, the indexing of the \$10,000 next year provided in the 2001 bill will mean that a family making \$18,000 with a child will lose approximately \$40 in child credit benefits, but that same family—because of this bill—will see their child credit benefit increase by \$300 because of the accelerated refundability and making the child credit \$1000.

The naysayers want to just pick and choose the provisions and not look at the whole package. When you look at the overall package the vast majority of the families they talk about being harmed by the 2001 agreement to index the refundable credit will actually be benefiting from the overall package.

And finally for those families—far, far fewer than the number of 4 million thrown around—that may see no child credit because of indexing, we must bear in mind the EIC benefits that are also indexed. Indexing of the refundable child tax credit must be understood in conjunction with the EIC benefit, and cannot be looked at in a vacuum.

For example, in 2001 a single parent making \$10,500 and with two children had no federal income tax liability and received the maximum earned income credit of \$4008. In 2003, that same parent, still making \$10,500, will now receive a nearly \$200 increase in her earned income credit and receive a check for \$4,204.

It is accurate that because of indexing the family will not receive the \$50 previously provided under the refundable child credit, but it is important to understand it in the context of the overall benefits provided in the tax code.

I recognize that for a low-income family even \$50 is important and that is why in conference I supported an amendment to end indexing inflation of the refundable portion. But I encourage Senators to keep their feet on the ground when discussing this and instead reflect on the enormous benefits this bill provides to low-income families who do not have a federal income tax liability—nearly \$24 billion—and to also keep in mind the other very beneficial provisions that are in the tax code already that assist low income families.

We have done very right by low-income families and especially military families in this bill and in the overall tax code.

I know as Senators and the American people examine this matter closely they will see the enormous good that is in this bill and not be swayed by the naysayers.

This bill will provide great benefit to low-income families and military families and that is a credit to President Bush and Senators on both sides of the aisle, and it is why we will see this legislation receive overwhelmingly support in the Senate.

Just to be clear, what we are talking about here is not whether to provide a certain EIC benefit but whether or not to review administration of that tax benefit in two years as we do with other expiring tax provisions. There are several administrative reasons why that may be appropriate in this circumstance.

In general, changes to the earned income credit should be studied carefully in light of the current error rate in the program's administration which exceeds 30 percent and results in nearly \$10 billion of erroneous payments annually. Many are working to reform these problems and we don't want to work against their efforts.

With respect to the combat zone proposal itself, the IRS has indicated that the proposal—which allows taxpayers to elect into the provision—will increase complexity of the EIC and make administration of the provision harder.

For these reasons, we should review the effectiveness of the provision in two years and make any necessary adjustments to the provision at that time.

In addition, the preponderance of the bill benefits working families including military families.

With the exception of a clean extension of expiring tax provisions and certain technical corrections, this bill focuses 100 percent on providing tax relief to working families including those serving in the military.

In particular, the bill ensures that parents serving in the military receive an income tax credit of \$1,000 per child each year. For military families at the lowest levels of income, the refundability provisions of the child tax credit have also been enhanced beginning in 2004.

This legislation further provides that military wages earned by parents in a

combat zone will be treated as earned income for purposes of the child credit. This ensures that families whose only income consists of combat zone wages will be eligible for the refundable child credit.

One very important provision of the bill may provide economic and mental relief to working families. For the most part, we have provided a single definition of a "child" for tax purposes. For some, this will mean additional family tax benefits; for everyone, the bill gives needed simplification for working families filing the most basic of tax returns.

Finally, the bill provides permanent tax relief to the first \$14,000 of all dual family taxable wages.

In conclusion, this legislation would ensure that a single mom in the military with 2 kids making \$25,000 would save 5 percent on the entire amount of her first \$14,000 of wages. It would ensure that she gets two child tax credits of \$1,000 per child so that her federal income tax liability, to the extent she has any, would be reduced dollar-for-dollar by that \$2,000 credit amount. If she does not have any federal income tax liability already—which is very possible—further enhancements to the refundability provisions of the bill ensure that she could receive a check for the full amount of her child credits totaling \$2,000. Finally, if she works in a designated "combat zone," the bill treats her combat zone wages as earned income to give her the full benefit of the child credit and the combat zone exclusion.

So you see, this bill provides significant tax relief to military families.

Let me make one more critical point about the issue of earned income credit and combat pay. We should all remember that at one time we did have combat pay included for purposes of the earned income credit. Then in the 2001 budget proposal, the Clinton administration requested the Congress to exclude from the EIC calculations all income excluded from gross income—including combat pay—for the purposes of determining the EIC. This request was made because of concerns of simplification and administration.

So it was the Clinton administration that proposed this change regarding exclusion of combat pay from EIC—a change that this bill today reverses.

I make this point not to cast a shadow over the Clinton administration's proposal but to highlight—as Senators raise their voices about the EIC combat provision being only a two year proposal—that it was the Clinton administration itself that first raised the concerns about the difficulty of administering combat pay and EIC benefits and asked that the code be changed.

We need to get this right. A confusing and unworkable tax provision will do more harm than good as military families unnecessarily find themselves crossways of the IRS.

We need to ensure that we are giving our military families a tax benefit that will do the job right.

Senator McCain criticized the extension of section 45. It is a renewable energy production credit. It is current law. The bottom line is the expiring tax provisions were treated similarly. All expiring tax provisions were extended through December 31, 2005.

Everyone agrees we need to reduce America's dependence on imported oil. The renewable energy production credit is one incentive that will help move America to energy independence. To let this incentive lapse would be to send the wrong signal to America's alternative energy producers. More dependence on Middle East oil is the wrong answer.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, this legislation would not have been possible without the help of many.

I appreciate the cooperation we received from the Republican staff, especially Kolan Davis, Mark Prater, Dean Zerbe, Ed McClellan, Elizabeth Paris, Christy Mistr, John O'Neill and Adam Freed.

I thank the staff of the Joint Committee on Taxation for their service.

I also thank my staff for their tireless effort and dedication, including Russ Sullivan, Patrick Heck, Bill Dauster, Matt Stokes, Matt Jones, Melissa Mueller, Matt Genasci, Anita Horn Rizek, Judy Miller, Jonathan Selib, Ryan Abraham and Wendy Carey. I also thank our dedicated fellows, Cuong Huynh, Scott Landes and Jeremy Sylestine.

Finally, I thank our hardworking interns: Kelsie Eggenesperger, Paige Lester, Priya Mahanti, Brittny McClary, Audrey Schultz and Mary Tuckerman.

Mr. President, the real thanks here, frankly, goes to a lot of Montanans who I have consulted with on this bill, CPAs and tax practitioners with whom I have been talking, acting as a sounding board as to which provisions should be changed, for example, to make them work better. They have been invaluable assistants to me. I am very appreciative to know I can just pick up the phone and ask, What do you think of this? What do you think of that? Montana business men and women, other taxpayers and practitioners, I very much thank them for their great help.

Real thanks really to the working men and women in my State and across the Nation. It is through their work and determination that our Nation has prospered. Of course, the group includes the wonderful men and women who serve in the military because they are the people who put their lives on the line. I am very grateful to them and am very humbled to be working for them.

Mr. President, I yield back the remainder of my time and ask for the yeas and nays on the conference report.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The majority whip.

Mr. McCONNELL. Mr. President, let me just indicate for all of our Members that we are going to the Foreign Operations bill after this. We believe we are down to just a couple of amendments, and we are working on making them go away. Our goal is to pass it tonight. If we have the kind of cooperation we anticipate having, that will be possible. If not, we will have to stack the amendments and vote in the morning.

But I urge everyone to cooperate, and let's try to finish this up tonight. That is what the majority leader would like to do. That is where we will go next.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has expired.

The question is on agreeing to the conference report. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from Hawaii (Mr. AKAKA), the Senator from North Carolina (Mr. EDWARDS), the Senator from Hawaii (Mr. INOUE), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Massachusetts (Mr. KERRY) are necessarily absent.

I further announce that, if present and voting, the Senator from Massachusetts (Mr. KENNEDY) would vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 92, nays 3, as follows:

[Rollcall Vote No. 188 Leg.]

YEAS—92

Alexander	Dodd	Lugar
Allard	Dole	McCain
Allen	Domemici	McConnell
Baucus	Dorgan	Mikulski
Bayh	Durbin	Miller
Bennett	Ensign	Murkowski
Biden	Enzi	Murray
Bingaman	Feingold	Nelson (FL)
Bond	Feinstein	Nelson (NE)
Boxer	Fitzgerald	Nickles
Breaux	Frist	Pryor
Brownback	Graham (FL)	Reed
Bunning	Graham (SC)	Reid
Burns	Grassley	Roberts
Byrd	Gregg	Rockefeller
Campbell	Hagel	Santorum
Cantwell	Harkin	Sarbanes
Carper	Hatch	Schumer
Chambliss	Hutchison	Sessions
Clinton	Inhofe	Shelby
Cochran	Jeffords	Smith
Coleman	Johnson	Specter
Collins	Kohl	Stabenow
Conrad	Kyl	Stevens
Cornyn	Landrieu	Sununu
Corzine	Lautenberg	Talent
Craig	Leahy	Thomas
Crapo	Levin	Voivovich
Daschle	Lieberman	Warner
Dayton	Lincoln	Wyden
DeWine	Lott	

NAYS—3

Chafee	Hollings	Snowe
--------	----------	-------

NOT VOTING—5

Akaka	Inouye	Kerry
Edwards	Kennedy	

The conference report was agreed to.

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS ACT, 2005

The PRESIDING OFFICER. Under the previous order, the Appropriations Committee is discharged from further consideration of and the Senate will proceed to the consideration of H.R. 4818, which the clerk will report.

The legislative clerk read as follows:

A bill (H.R. 4818) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2005, and for other purposes.

The PRESIDING OFFICER. All after the enacting clause is stricken, and the text of S. 2812, the Senate Foreign Operations appropriations bill, is inserted in lieu thereof. The amendment is considered as original text, with no points of order waived.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. FRIST. Mr. President, we have had a long day already, but we made real progress. Again, over the course of the day, people do not see all the activity that has gone on. The managers of the bill and myself have actually spent most of the day on the bill we just went to, and that is the Foreign Operations bill. I say that because a lot of work has been done, a lot of negotiations and a lot of discussion, and our intention is we are on the bill to complete the bill tonight.

There are still discussions about amendments, and we want to make sure they are appropriately considered. But the intent is to finish debate and voting on whatever amendments there might be and passage tonight. It means it may well be a late night—it is already fairly late—or we could finish in a fairly expeditious way.

In the event that we do not complete the bill tonight, we will be voting tomorrow morning. We will have to stack the votes for tomorrow morning. That is not what the majority of Senators have expressed over the course of the day and the last few hours; thus, it is our intention to be voting tonight, and we will be voting tonight, and to complete the bill tonight.

I would like the Democratic leader to comment. The reason we feel it is important to finish tonight is the Jewish holiday is tomorrow. A lot of people have travel plans over the course of the day; thus, it is critical we finish.

Next week, we will be going directly to the intelligence reform issue. We need to be focusing on the safety and security of the American people. That does mean an appropriate response to the 9/11 Commission recommendations. Thus, with so few days left before October 8, it is absolutely critical we complete this bill tonight or very early in the morning. Our intention is to complete it tonight.

The PRESIDING OFFICER. The Democratic leader is recognized.

Mr. DASCHLE. Mr. President, I agree wholeheartedly with the majority leader. We have a window of about 24 hours. A number of colleagues have indicated to us that they would prefer that we not have any votes at all tomorrow, and that would be our first choice. But we also have Senators who have expressed an interest in offering amendments. We know if the hour gets too late, we will have no choice but, of course, to put these amendments over until tomorrow morning, but we will finish this bill either tonight or tomorrow morning. It will be up to Senators.

So I ask Senators on this side of the aisle if they have amendments to speak to me immediately so that we know just how much time they are going to need and how many amendments they intend to offer. It would be our hope that we could have a finite list of amendments certainly within the next 10 minutes.

This should not be a surprise to anyone.

We have talked about this all day long. I think the two managers of the bill have done an outstanding job and we ought to be prepared to go immediately to the bill and finish our work shortly, but please, if Senators have amendments, let me know immediately so we know exactly what our circumstances will be.

Mrs. BOXER. Will my colleague yield for a comment?

Mr. DASCHLE. I would be happy to yield to the Senator from California.

Mrs. BOXER. I urge us all, if we can possibly finish this tonight, as many of my colleagues know, it is a very important holiday for some of us tomorrow. I have to travel all across country, and others do as well, and it becomes tough to get it all in with families if we are not able to leave by 10 in the morning. So I hope my friends would offer amendments and vote on them tonight.

Mr. DASCHLE. I yield the floor.

The PRESIDING OFFICER. The minority whip.

Mr. McCONNELL. Mr. President, I report to the majority leader and the Democratic leader, as far as this side is concerned, we believe we only have one amendment that may require a rollcall vote and we are working on that one. So we are down to one and I hope we will soon be down to none, but one that we know of at the moment.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Mr. President, the senior Senator from Kentucky and I have been working very closely for the last week to get rid of as many amendments as we could. I think we have done a lot of that. As I said on the floor earlier this afternoon, if people have amendments, come and let me know. We have one, possibly two, and we are working diligently on those.

I say to the distinguished leaders, the best they can do might be to go forward. I am willing to move quickly. I