

We believe in fiscal responsibility because history proves that it works, and we are convinced that massive deficits allowed to continue will undermine growth and weaken America's future. It is no different from your own personal bank accounts, how you take care of your home, your family. Sure, there may come times when you have to borrow money, but you need to pay it back. You can't have deficit-spending as far as the eye can see. How has the Republican Party gotten off on allowing these huge deficits to keep building?

The administration's budget it just gave us shows they are still trapped in an outdated and discredited ideology. Rather than accepting the need for discipline, President Bush's budget continues to reject the strong pay-as-you-go rules. What does this mean, pay-as-you-go? This is the rule we had in the Clinton years. What it means is that if you are going to lower taxes, you have to figure out a way to pay for it. If you are going to have a new spending program, you have to have a way to pay for it. You just can't borrow money, which is what has happened under President Bush. Pay-as-you-go rules during the Clinton years promoted fiscal responsibility.

Rather than reducing our debt, as the Democrats did under President Clinton, the Bush budget calls for an additional \$2.5 trillion in new borrowing, causing our debt to balloon to almost \$12 trillion. I am not making up these numbers. They come directly from the President's budget. The real numbers are even worse than those you find in the President's budget, which leads me to my second major concern about the President's budget—its refusal to be honest with the American people.

Let's begin with the cost of the Iraq war. While the President continues to resist bipartisan efforts to reverse the political and military course in Iraq, his own budget takes a very different approach. In fact, the budget contains \$50 billion only for the war in 2009 and nothing thereafter. Does that mean the administration really wants to pull the troops out? Of course not. They want to have it both ways—they want the war, but they don't want to pay for it. And their deceptive budget isn't playing it straight. It is not being honest.

The war costs, unfortunately, are only one example of the budgets deception. Their budget also uses rosy assumptions about expected revenues. In 2012 alone, the President assumes that revenue will be \$155 billion more than projected by the nonpartisan Congressional Budget Office. So instead of a rosy surplus, Bush's budget would run a huge deficit.

Beyond rosy assumptions, the budget also claims to reach balance by assuming deep future cuts in domestic priorities such as education. But how? Few details. Exactly which programs will be cut? No details. By how much? Not for sure. Few details. And who will be affected? The budget doesn't say. We know some.

Perhaps even more important than its debt and deception, the Bush budget is simply disconnected from the needs of middle-class America. Too many families today are struggling with stagnating wages and rising prices for everything from health care to the groceries we buy. That is certainly true in Nevada. But instead of developing new ways to meet these needs, the budget offers few, if any, new ideas that would help. In fact, many of its cuts would make matters worse. For example, the budget underfunds the State Children's Health Insurance Program which would jeopardize existing health coverage and leave millions of children uninsured. Its ill-conceived health proposal would threaten existing private health coverage and actually drive up premiums, the experts say. The budget cuts \$300 billion from Medicare and Medicaid and thus increases health care costs for many seniors. The budget cuts education by \$2 billion, and it even cuts programs that are important to veterans and police officers.

These cuts would have a major impact on many of my constituents and many of the Presiding Officer's constituents. Every State in the Union would feel the impact. There are already over 100,000 children in Nevada without health insurance. The Bush budget would increase that number. At the same time, its deep cuts to Medicare and Medicaid threaten about 300,000 Nevadans who rely on Medicare and 170,000 Nevadans who depend on Medicaid.

Unfortunately, at the same time the administration is cutting programs important to the middle class and the poor, they are insisting on spending hundreds of billions of dollars for handouts for multimillionaires. I know the administration generally believes that the very wealthy are the engine of economic growth. Democrats disagree. We believe the real engine of growth is a strong middle class, and we think it is wrong to burden middle-class taxpayers with the cost of massive spending for those at the top of the economic pyramid.

Consider the President's tax breaks for people with incomes over \$1 million. They are huge—more than \$150,000 a year if you make more than \$1 million. In 2008 alone, that cost will be \$50 billion. Who gets the \$50 billion? The millionaires, Mr. President, the millionaires. Think about that—\$50 billion. Where does it go? To the millionaires. At the same time he wants to cut education by \$2 billion, the President wants to spend \$50 billion on tax breaks for those with incomes over \$1 million. That is not just fiscally irresponsible and it is not just bad economic policy, it is wrong. It is just plain wrong.

Unfortunately, tax breaks for multimillionaires are only one example of the many special interest handouts in this budget we just got.

It contains wasteful royalties and tax breaks for oil and gas companies. This

industry is making more money this year than ever before, last year it was more money than ever before, and the year before it was more money than ever before.

It continues Medicare overpayments to HMOs and other managed care plans.

This budget grants drilling rights to Alaskan wilderness.

It continues tax breaks for multinational corporations that outsource jobs overseas, and remarkably it continues to call for the privatization of Social Security with the deep benefit cuts and massive debt.

These discredited and outdated policies will not promote economic growth, they will not strengthen the middle class or make our country a better place. On the contrary, they will weaken our Nation and make middle-class life harder.

We must do better. In coming weeks, led by our remarkable Budget chairman, Senator CONRAD, we will work together with our colleagues to produce a better budget; a fiscally responsible budget based on the philosophy that, yes, deficits do matter; a budget that returns the tough pay-as-you-go discipline of the 1990s and balances the budget using real numbers, not pretend numbers; a budget that puts the middle class first and starts to address the real problems facing working families, such as exploding health care costs and rising tuition; a budget that reflects the best of our core values, American values, and lays the groundwork for a strong and prosperous future.

Achieving such a budget won't be easy. Members on both sides of the aisle would have to work together and make some tough choices and compromises, and the President must be willing to rethink obsolete approaches and help move his party and our Nation in another direction.

But speaking for Democrats, while we know the challenge is great, we are going to try. It is my hope that in the end we can finally move toward a new fiscal policy that combines old-fashioned values of fiscal discipline with the new and forward-looking approach that puts the middle class first.

I ask my time not interfere with the time that has been set aside. Would the Presiding Officer remind me, do we have a certain period of time for morning business today?

The ACTING PRESIDENT pro tempore. Under the previous order, there will be a transaction for morning business with Senators permitted to speak for up to 10 minutes each.

Mr. REID. I yield the floor.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there

will be a period for the transaction of morning business, with Senators permitted to speak for up to 10 minutes each.

The Senator from Iowa is recognized.

Mr. GRASSLEY. I think the Senator from North Dakota wanted to be recognized.

Mr. DORGAN. I ask unanimous consent that following the presentation of my colleague Senator GRASSLEY of Iowa, I be recognized for a period of 20 minutes in morning business.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ALTERNATIVE MINIMUM TAX

Mr. GRASSLEY. Mr. President, lately we have heard a lot about the alternative minimum tax and the difficulties involved in fixing it. Right now is tax time so a lot of people are going through the process of determining whether they owe the alternative minimum tax. I will visit with taxpayers about that. At another time I will go into greater detail regarding some of these problems and what we need to do to fix the alternative minimum tax.

Right now I want to explain how we got into this situation. Of course, as with anything, it would be foolish to go forward on this issue without looking back to see how we got to where we are now, after 40 years of the alternative minimum tax. The alternative minimum tax, then, obviously has been with us for that long a period of time.

The individual minimum tax was the original name of the alternative minimum tax and was enacted first in 1969. This chart I am displaying highlights a few of the important and most recent milestones in the evolution of the AMT. I will not go into each of those milestones in detail, but by looking at the chart you can see the AMT has not been a constant. There has been an alternative minimum tax, but it has had some changes in the last 38 years.

First, the history of the AMT. In the 1960s, Congress discovered only 155 taxpayers—all people with incomes greater than \$200,000 a year—were not paying any taxes whatever. These taxpayers were able to use legitimate deductions and exemptions to eliminate their entire tax liabilities—all legally. To emphasize, what they were doing was not illegal, but Congress could not justify this at that time and it determined at that time that wealthy Americans ought to pay “some” amount of tax to the Federal Government regardless of the amount of legal ways of not paying tax.

When Congress decided to do this, it was calculated only 1 in 500,000 taxpayers would ever be hit by the alternative minimum tax. According to the Bureau of Census, we had at that time about 203 million people compared to 300 million today. Making the assumption that every single American was a taxpayer, the individual minimum tax was originally calculated to affect only

406 people. We get that by dividing 203 million by 500,000. In 1969 Congress was motivated by the situations of the 155 taxpayers to enact a tax calculated to impact about 406 people.

Clearly, the situation has changed dramatically in the last 30 years because this year the AMT is going to hit several million taxpayers. Although not its only flaw, the most significant defect of the alternative minimum tax is that it was not indexed for inflation. If it had been indexed for inflation, we would not be dealing with this tax problem and millions of people this year would not have to figure out if they owed the alternative minimum tax.

The failure to index the exemptions and the rate brackets, the parameters of the AMT, is a bipartisan problem. Perhaps a most notable opportunity to index the AMT for inflation was the passage of the Tax Reform Act in 1986. That law was passed by a Democratic House, a Republican Senate, and signed by a Republican President. It is worth pointing out at that time, because of the bipartisan cooperation, indexing was a relatively new concept, and even though they had a bipartisan opportunity, they did not take advantage of it. One can argue that indexing of the AMT should have received more attention, but the fact is it did not then or any time since then, so we have the problems I am discussing today.

Today it is impossible for anyone to use the excuse that indexing is a new concept. Maybe it could be used in 1986. In a regular tax system, the personal exemptions, the standard deduction, the rate brackets are indexed for inflation. Government payments such as Social Security benefits are indexed for inflation and people would be hard pressed to go into most schools and find a student who does not at least know that inflation was something to be avoided or at least to be compensated for through indexing.

Despite what must be a nearly universal awareness of inflation, though, the alternative minimum tax, the Internal Revenue Code equivalent of a time capsule, remains the same year after year as the world changes around it. It must be obvious to everyone that the value of a buck has changed a lot in the last 38 years, and all here are experienced enough to have witnessed that change.

More than anything else, the problem posed by the alternative minimum tax exists because of a failure to index that portion of the Tax Code for inflation. Although \$200,000 was an incredible amount of money in 1969, the situation is different today. I am not saying that \$200,000 is not a lot of money—because it is, obviously, to most middle-income people a lot of money—but \$200,000 is certainly going to buy less today than it did in 1969.

I also emphasize that I am not the only one saying the failure to index the alternative minimum tax for inflation is what is causing it to consume more

and more of the middle-income taxpayers. On May 23, 2005, the Subcommittee on Taxation and IRS Oversight, the Committee on Finance, held a hearing entitled “Blowing the Cover on the Stealth Tax: Exposing the Individual AMT.” At that hearing, the national taxpayers advocate Nina Olson said:

[t]he absence of an AMT indexing provision is largely responsible for increasing the numbers of middle-class taxpayers who are subject to the AMT regime.

Robert Carroll, who is now Deputy Assistant Treasury Secretary for tax analysis and then was in the acting position, same title, testified:

[t]he major reason the AMT has become such a growing problem is that, unlike the regular tax, the parallel tax system is not indexed for inflation.

We also had at that hearing Douglas Holtz-Eakin, who at that time was director of the nonpartisan Congressional Budget Office:

If the 2005 [increased AMT] exemptions were made permanent and, along with other AMT parameters, indexed for inflation after 2006, most of the increase over the coming decade in the number of taxpayers with AMT liability would disappear.

Clearly, there is a consensus among knowledgeable people that the failure to index the AMT for inflation has been and continues to be a serious problem and, in fact, for the most part, would be a solution to the problem if you want to maintain the AMT. If you want to argue for doing away with the AMT, that is another ball game.

What makes the failure to index the AMT in 1986 and other years more disastrous is repeated failure to deal with the problem in additional legislation that has actually compounded the problem posed by the alternative minimum tax.

Before I continue, I will catalog the evolution of the alternative minimum tax rate for a moment. The 1969 bill gave birth to the alternative minimum tax which established a minimum income tax rate of 10 percent in excess of the exemption of \$30,000. In 1976, the rate was increased to 15 percent. In 1978, graduated rates of 10, 20, and 25 were introduced. In 1982, the alternative minimum tax rate was set at a flat rate of 20 percent and was increased to 21 percent in 1986. This is not a complete list of legislative changes and fixes, and I am sure no one wants me to recite a full list but, very importantly, I want to make sure that everyone realizes Congress has a long history of trying to fiddle with the AMT in various ways but without doing anything permanent to it. Hence, we are here again this year considering what to do.

Now, a great detail on recent bills impacting the AMT. In 1990, the Omnibus Budget Reconciliation Act is a result of the famous Andrews Air Force summit between President Bush and Democratic leaders on Capitol Hill. Probably Republicans were involved, as well. That legislation raised the alternative minimum tax rate from 21 percent to 24 percent and did not adjust