CONGRESSIONAL RECORD—SENATE
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It is a rational economic response to a tax system that provides discouragement for savings and encouragement for consumption. I believe this tax reduction legislation about to be considered by the Congress can provide a new beginning, first, by expanding the traditional IRA from $2,000 to $5,000. It is notable that when the IRAs were first instituted at $2,000, had they merely kept pace with inflation all these years, it would now allow for a $5,000 deduction rather than the continuing $2,000 level.

Second, people who accumulate $10,000 in a savings account in America to provide themselves some security from the crisis of life, or for their retirements or to prepare for their children's futures, should not be taxed. The Federal Government has no business—indeed, it would encourage every American to participate in the new prosperity, burgeoning industries, new technologies, and growing market. The Federal Government should not be taxing the modest capital gains of people who earn $1,000, $2,000, or a few thousand dollars in the stock market, or from the sale of real estate. We should be encouraging every American to participate by investing, to gather some savings, exempting the first $500 in dividends and interest, would make the savings of 30 million Americans tax-free.

Third, every American should be encouraged to participate in the new prosperity, burgeoning industries, new technologies, and growing market. The Federal Government should not be taxing the modest capital gains of people who earn $1,000, $2,000, or a few thousand dollars in the stock market, or from the sale of real estate. We should be encouraging every American to participate by investing, to gather some savings, exempting the first $500 in dividends and interest, would make the savings of 30 million Americans tax-free.

Many of these ideas were included in the tax reduction legislation I offered with Senator COVERDILL. I am enormously proud that in Senator Roth's proposal, and indeed now in a bipartisan tax bill being discussed by Senator Breaux and Senator KERRY on to ever tax an American family who wants to save a modest $5,000 or $10,000. We have an interest in them doing so and should not be providing a disincentive by taxing them on the modest interest they would accumulate. This simple provision of $10,000 in tax-free savings, exempting the first $500 in dividends and interest, would make the savings of 30 million Americans tax-free.

This is an important moment for this Congress. This vote on a tax reduction program will say a lot about our priorities. We will chart a course for another decade. I believe we can reach across this aisle and find a reasonable compromise that gives genuine tax relief.

I want the people of the State of New Jersey to know that I have committed myself to be part of that effort. I yield the floor.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, is the Senator from West Virginia allowed to yield himself a certain amount of time?

The PRESIDING OFFICER. The Senator from West Virginia may seek by unanimous consent to yield to the Senator from New Jersey.

Mr. ROCKEFELLER. I thank the Presiding Officer.

Mr. President, I ask unanimous consent to proceed for less than 15 minutes.

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

Mr. ROCKEFELLER. I appreciate the courtesy of the Presiding Officer.

PROJECTED SURPLUS

Mr. ROCKEFELLER. Mr. President, I am very anxious to talk to my colleagues. I want to do it as much as I can in these days to come.

As the previous speaker said, with whom I do not agree on policy, this is a momentous, once-in-a-lifetime opportunity. I have been here for 15 years. I was for 8 years before Governor of West Virginia where we faced things such as 21-percent unemployment, and things which are almost Third World in their statistical significance compared to what most of my colleagues had to deal with.

Being able to look at a tax surplus or a projected surplus of a lot of money over the next number of years is a wonderful opportunity for the people of my State and for the people of my country.

I have to say, though, the approach of the Finance Committee, on which I serve, voting a $792 billion tax cut is antithetical, to my thoughts, as to what is good for the country and good for the economy.

I will start off by simply saying the obvious; that is, as one of the senior Members of the majority side of the Finance Committee said, 5 percent of Americans pay 95 percent of personal income taxes, and therefore the money ought to go back to them. That is an odd way of thinking. That is certainly one way of thinking. It is obviously that Senator's way of thinking. It doesn't square with the sense of fairness, equity, and distribution of equal opportunity in an economic sense as in other senses that I was brought up to believe in.

We have projected—and I underscore the word "projected"—a surplus of $1 trillion over the next 10 years. The central question is: How do we most responsibly spend this? I think it is a central question of historic importance.

As the previous speaker said, with whom I do not agree on policy, I was assigned the responsibility of cutting $60 billion out of Medicare, which at that time was a great deal of money, and we proceeded to do that. But never in my wildest dreams did I ever even begin to think of the possibility that we might, in fact, be able to pay down the national debt—the national debt which under the Reagan-Bush administration rose to
over $4 trillion. I can’t contemplate amounts of that sort. So I couldn’t possibly contemplate the results of eliminating amounts of that sort.

But we have a chance to do that. We have the chance to do it by the year 2014 and 2015.

People talk a lot about taxes around here. The flat tax will come if we pass the Republican tax package, if we “give” the so-called “middle-income worker” that kind of tax advantage because I think it is false. In my State, where the average income is around $30,500, I average the average mainstream worker would end up losing $500 or $600 a year because interest rates would go up on car payments, on home loans, on education loans, on credit cards, and all of those things. Interest rates would go up because we know for sure that greatest tax package in America would. They would probably go up by about 1 percent.

I think the average people in the State whom I represent would end up paying much more under the Republican plan than they would if we opted to retire the debt because in that case, I think interest payments would go down, and those people—having watched in wonderment what is or is not going on in Washington—would benefit from the results of two things: Not only lower interest rates, which would affect them up to where they are fixed, but they would also benefit from an economy.

I try to contemplate this in my mind. Come the year 2010 or 2011 when the world really begins to understand that America is dead tracked on the idea of elimination of the national debt, what would happen to the national economy? My mind can’t even bring that into consideration, except it is filled with scenes of incredible entrepreneurial activities by people who are willing to take risks, people who emerge from the hollows of West Virginia, from the deserts of Nevada, from all kinds of high plains of the Northwest, or the deserts of Nevada, from all kinds of hollows of West Virginia, from the high plains of the Northwest, or the deserts of Nevada, from all kinds of hollows of West Virginia, from the high plains of the Northwest, or the deserts of Nevada, from all kinds of hollows of West Virginia, from the high plains of the Northwest, or the deserts of Nevada.

To me, paying off the national debt does two things:

One, it guarantees the economic future of the people whom I represent, who elect me to represent them; and it guarantees the economic future of the entire country for perhaps a generation or two to come because we will have done something impossible—eliminate the budget deficit, and then eliminate the national debt.

How would the markets respond to that? How would human nature respond to that? I only glory to contemplate what that might mean.

Second, I want to pay down the national debt because I don’t want to spend money. I don’t want to spend money on a whole lot of new things. I want to make sure that something called Social Security—the money for that—and something called Medicare—the money for that—is there in the meantime, until those programs run out of money in a number of years, as all of that money will be going into those trust funds, building up and guaranteeing the future of Medicare and Social Security. That is a matter not of the energy of the American economy but the depth of the American commitment, the social contract that we made by the year 2014 or 2015.

In the Finance Committee, I originally was for a tax cut of only $250 billion. I am for that today. That was a different tax cut from anything we are considering. I worry very much about Americans not saving. I like the idea of Government matching any American who put a certain amount of money into a savings account; in other words, to encourage something which we do worse than any other people in the world, and that is to save money, putting money in the bank—not only for one’s own future but for the capital markets.

I want to see that. I want to see the marriage penalty tax eliminated so it doesn’t become more expensive to get married. It becomes less expensive to get married. If we put up a bill that had no tax cut at all, I would be tempted. I don’t know, in the final analysis, if I would vote for it, but I would be tempted.

I believe in paying off the national debt. I think the consequences of that are enormous. Not contemplating the numerical “joust” we play with each other over millions and trillions of dollars, the simple fact is that by the year 2014 or 2015 there would be virtually no national debt remaining—less than 1 percent. That is the single most exciting public policy event I can contemplate since I have served in the Senate. My fear is that Congress is going to figure this out but that Congress is going to figure it out too late, after it has already done the damage.

I regret our failure so far to seize this once-in-a-lifetime opportunity to pay off the national debt. I regret it for my State, for the nation, so to speak, in terms of population. It has actually surpassed Florida. That would naturally bias me in terms of Social Security and Medicare. If I were from another State, I would feel the same way, I believe.

Social Security has lifted two-thirds of all Americans out of poverty. Does one turn one’s back on this? People voted for the $792 billion tax cut. But $2 trillion of the surplus already belongs to Social Security. That is not on the table. Of the $1 trillion remaining, that can only happen if we do something new. I don’t mean adding new programs. I mean taking tremendous billions of dollars in every single area for years and years and taking away from what we are already doing.

I care passionately about veterans’ health care as I have watched the veterans’ health care system deteriorate in a variety of ways across this country. We are not talking about increasing veterans’ health care costs. We are talking about tremendous cuts in those we already have.

Many Members have discussed the fact that a young mind is formed by the time it is 3 years old, the importance of Head Start, the importance of the Older Americans Act, the importance of low-income-housing heating, housing, enterprise zones, law enforcement, the military. All of these receive enormous budget reductions that would sustain themselves over a number of years. Over half a trillion cut from present spending in fiscal year 1996; the same on through fiscal year 2002 and beyond that. CBO doesn’t even choose to figure what happens after 5 years. They say they have never done it before so why should they do it now. I think that is an amazing way of thinking. That is what they say.

If we spend $792 billion on a bunch of tax breaks now before we even know that the money is for real and that it will absolutely be there, I cannot in conscience, for the people I represent, believe that Medicare and Social Security will be anything but a strain of reducing benefits. I cannot bear to have that happen. I don’t think anybody should tell you otherwise.

I understand it is very easy to talk about a $792 billion tax cut. It is wonderful to sit in the Finance Committee and have people say we ought to do this or that about ethanol and this or that regarding helping different people, different groups. Sometimes people voting for the bill got all kinds of things implanted in the bill. That was nice, I am sure they were good things.

How does that compare to the real possibility of setting America virtually free economically, establishing our economic dominance for all time by restoring the national debt? Think how capital overseas would flow to America if we were free economically, establishing our economic dominance for all time by restoring the national debt?
We can do both. Therefore, we would happen in this country if we absolutely extraordinary power of what billion tax cut, and I ask my colleagues think about the consequences of a $792 tax increase for people who are very hard and who would receive a $188 by the stock market increase.

who already have it, who have already tax cut, a tax cut basically for the rich Republican tax cut. It is phenomenal ment that would be required under the level of funding by the Federal Government, it is phenomenal reductions from their current

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. I ask unanimous consent to proceed as in morning business for 15 minutes.

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

TAXES

Mr. DURBIN. Mr. President, I commend the Senator from West Virginia. His has been a lonely struggle on the Senate Finance Committee in the minority. I know what he has said today on the Senate floor is an expression of his personal commitment and philosophy in the Senate Finance Committee.

It is such an alluring possibility for politicians to vote for tax cuts. Can you think of two more exciting words for politicians to say other than: I’m going to cut your taxes—tax cuts? Yet we know it may not be the most responsible thing to do on behalf of families across America and the state of our economy.

What the Senator from West Virginia has said during the course of his remarks bears repeating. Look to the question of fairness. We have heard statements on the floor from Members of the Senate who have suggested that taxes have gone up on American families.

It is interesting that when looking at facts we find something different. A median-income family of four currently pays less Federal taxes as a percentage of its income than at any time in the last 20 years.

This data comes from the Treasury Department and the Congressional Budget Office. Lower-income families at one-half the median income level face a federal tax burden which is the lowest in 31 years, according to the Treasury Department. A family of four can make up to as much as $238,000 a year without paying Federal income taxes. For a family of four at twice median income, that would put them in the middle-income category. The average Federal tax rate will be its lowest in over a decade.

That is not to suggest families do not face a tax burden. They do. Many still pay the payroll taxes, some Federal income taxes, and State and local taxes.

The general increase in revenue to the Federal Treasury really is evidence of a strong economy where people are working, making more money, and perhaps doing better in the stock market than they have in previous years.

When we talk about tax fairness, many of us believe if there is to be any tax cut, it should be directed to the people in the lower- and middle-income groups. Those are the first who should be served.

This chart illustrates what I mentioned earlier.

Mr. ROCKEFELLER. Will the Senator yield?

Mr. DURBIN. I will be happy to yield.

Mr. ROCKEFELLER. I have one quick point. People say we ought to have a tax cut and we ought to give it back to the people who earned it. In other words, it is not the Government’s money; it is their money.

I think one thing is interesting: How much is it their money as opposed to their children’s money and their children’s money. In other words, when we talk about protecting money for future programs, such as Social Security and Medicare, we are not just talking about those who pay taxes, whether they be rich or poor, but whether or not their children and their children’s children are going to have a reasonable shot at life. It is not just that we do not have money because we are living now and others are not, but we have to keep looking toward the future and our responsibility to that future; is that not right?

Mr. DURBIN. The Senator from West Virginia hits the nail on the head. If we want to abandon our commitment to education, for example, in the country, it would be the most shortsighted thing in the world. It may reduce Government spending; yes, it may reduce taxation; but does anyone believe America would be a better country for it? I certainly do not.

When we say to families we can give them a tax break this year, a tax cut this year or we can take the money and reduce the national debt, and by reducing that debt say to our children and their grandchildren, you are going to have less to pay in taxes for interest on the debt we accumulated in our lifetime, that to me is the most popular