July 30, 1999

SENATE—Friday, July 30, 1999

The Senate met at 8:31 a.m. and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Dear God, You have taught us that yesterday is already a memory and tomorrow is only a vision, but today well-lived makes every yesterday an affirmation of Your grace and every tomorrow an expectation of Your blessing. Make our life an accumulation of grace-filled days. We've learned that we can't do much with our yesterdays, and worry over tomorrow is futile. Living today is so crucial. We want to be faithful and obedient to You today. We know that anything is possible if we take it in day-sized bites. The dynamic person You want us to be, the issues we want to confront, the people we want to bless, the projects we want to start—all can be done by Your grace today.

Bless the Senators. Enable them to enjoy the sheer delight of glorifying You by serving this Nation. May they live Andrew Murray's motto: "To be sure of what I have received and for what the Lord has prepared is the surest way to receive more." Amen.

PLEDGE OF ALLEGIANCE

The Honorable CONRAD BURNS, a Senator from the State of Montana, led the Pledge of Allegiance, as follows:

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

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore, Senator DOMENICI, is recognized.

SCHEDULE

Mr. DOMENICI. Mr. President, on behalf of the leader, I have the following statement:

Today, by a previous order, the Senate will begin 30 minutes of debate for closing remarks with respect to the Bingaman amendment regarding education and the Hutchison amendment regarding the marriage tax penalty. Two back-to-back votes will then occur at approximately 9 a.m.

Following those votes, any additional amendments will be limited to 2 minutes of debate. Therefore, numerous votes will occur in a stacked sequence, and Senators are asked to remain in the Chamber in order to conclude the voting process as early as possible during today's session of the Senate.

I thank my colleagues for their attention and their cooperation.

I yield the floor.

RESERVATION OF LEADER TIME

The PRESIDING OFFICER (Mr. SANTORUM). Under the previous order, leadership time is reserved.

TAXPAYER REFUND ACT OF 1999

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of S. 1429, which the clerk will report.

The legislative assistant read as follows:

A bill (S. 1429) to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2000.

Pending:

Bingaman amendment No. 1462, to express the sense of the Senate regarding investment in education.

Hutchison modified amendment No. 1472, to provide for the relief of the marriage tax penalty beginning in the year 2001.

Roth (for Grassley) amendment No. 1388, making technical corrections to the Saver Act.

Roth (for Abraham) amendment No. 1411, to provide that no Federal income tax shall be imposed on amounts received, and lands recovered, by Holocaust victims for their heirs.

Roth (for Sessions) amendment No. 1412, to provide for the Collegiate Learning and Students Savings (CLASS) Act title.

Roth (for Collins-Coverdell) modified amendment No. 1446, to eliminate the 2-percent floor on miscellaneous itemized deductions for qualified professional development and incidental expenses of elementary and secondary school teachers.

Roth (for Abraham) amendment No. 1455, to amend the Internal Revenue Code of 1986 to expand the deduction for computer donations to schools and to allow a tax credit for donated computers.

AMENDMENT NO. 1462

The PRESIDING OFFICER. Under the previous order, there will now be 15 minutes equally divided with respect to the Bingaman amendment No. 1462.

Who yields time?

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. How much time is allotted to me?

The PRESIDING OFFICER. The Senator has 7 minutes 30 seconds.

Mr. BINGAMAN. I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator is recognized for 4 minutes.

Mr. BINGAMAN. Mr. President, the amendment I presented yesterday and that we are going to vote on first this morning is a simple statement that we should reduce the size of the tax cut that is proposed by $132 billion so that we will have funds available to maintain the current level of effort in support of education. It, I grant you, is a sense-of-the-Senate resolution. It does not ensure that the money is spent there, but to my mind it at least reserves those funds so we can maintain the current level of effort in support of education. In other words, I believe we should be on record for funding education at least at current levels before we settle on the size of the tax cut that is afforded.

Some might ask why am I singling out education. Well, S. 1429 is more than just a tax bill; it is a reconciliation bill, which means, at least in rough form, it purports to set national priorities for the next 10 years. I believe that a very top priority should be providing quality education to the young people of this Nation. Our future depends more on that investment than it does on virtually any other investment we might make.

So if education is a priority, what is the relationship of this tax cut bill to education? Now, as I understand the estimates for the next 10 years, the tax cut bill is so large that it will require us to make significant cuts in discretionary spending, including education, in this coming decade, and that is the concern I have and that is what has prompted this amendment.

Yesterday, as I was describing the amendment, I was informed that my concern is unfounded; that in fact even after the tax cut—and I know people do not like to have it referred to as a massive tax cut; I notice that is what the Wall Street Journal called it this morning in their headline—there will be plenty of discretionary funds for education. That was the information I was given.

So let me look at the figures I have and see where I am confused on this and where I have misunderstood the situation.

First of all, we all expect a surplus, and that is why we are having this debate and talking about cutting taxes in the first place. So we all agree to that. We also all agree that the portion of that surplus attributable to Social Security should be left for Social Security. And that is about $1.9 trillion. There is no dispute about that that I am aware of, at least in this debate.

So after we take that out, what is left? At the beginning of the debate,
As we come to the end of this debate about what we are going to do to invest in our future, let’s remember that if we do not have the dollars, we will harm our young children, we will harm Social Security and Medicare and critical programs for women in this country to make sure they don’t live in poverty. We will not be able to pay off our debt, a very important issue that is facing us, which we have not left ourselves room for with a massive tax cut of this size.

Most critically, we will not be able to do what we have a responsibility to do, not only as Senators but as parents and as adults in this country, to make sure that those who follow us have the skills they need to make sure this country continues to run well in the future. Investment in Pell grants and in early childhood education, and investment in education, class size reduction, and training of our teachers will make a difference for the future. We have a responsibility to do that.

I thank the Senator from New Mexico for his work on education, and I urge my colleagues to support this amendment.

I thank the Chair.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, as I said yesterday, I don’t normally take to the Senate floor and speak in opposition to an amendment of my colleague from New Mexico. But I did yesterday, and I must this morning because if this amendment is reported in New Mexico, and if it says to constituents of our State that the budget resolution we adopted, and what will be left over after the tax cut would decimate education, then it would appear to me that I must answer because that isn’t true.

First of all, the Senator from New Mexico, my colleague, is at least not as sensational in his approach as the President was yesterday. The President even knows right down to the nickel what is not going to be spent in education. That is impossible. He says that 544,000 kids aren’t going to be able to make a difference for the future. We will not be able to pay off our debt, a very important issue that is facing us, which we have not left ourselves room for with a massive tax cut of this size.

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Let’s get the facts as I remember and understand them. We produced a budget resolution. It is nothing new with reference to the taxes: $792 billion spread out over 10 years was the tax cut in that bill. We also allocated the remaining money for the next decade and, incidentally, in doing that, even though there was a reduction in discretionary spending, the highest priority item and fund it at levels higher than we have now, which I think Republicans will do if we have reform in the educational allowances of the Federal Government, so that there is accountability and flexibility in the programs that we send there.

I believe what my colleague from New Mexico is expressing on the floor is a sincere desire that we be sure that in the discretionary accounts we fund education adequately. If that is what he was saying, I join with him in saying that is true. But when he says you need to take $122 billion—or whatever the number is—out of the tax cut in order to do that, I disagree. I don’t think we have to.

Plain and simple, I think there is plenty of discretionary money available. I add, if you use the President’s numbers on Medicare—and he said you only needed $6 billion to fix prescription drugs—you have $605 billion, less the $46 billion, and all the rest can go to discretionary spending in the next decade. I am not trying to mislead anybody. In order to understand it, I said start with the premise that we freeze all these accounts and put in what is left. If you look at the budget resolution, we put $181 billion into those accounts, with education being the highest priority. It just happens there is more than that $181 billion because the midsession review added many billions of dollars in accumulated surplus.

I am fully aware that Senator BINGAMAN, my colleague, has regularly and consistently as a member of the Committee on Education, and on the floor, been a promoter and a staunch supporter of education. I agree with him, but I believe he is wrong in thinking that we have to reduce the tax cut in order to be sure we do that. I also remind everybody that there are some...
very significant education programs in this tax bill. It makes it easier to con-
tinue your education because it has al-
towances, credits, and deductions in the adult education area. It makes it
to pay off student loans. It makes
college more affordable, and it provides tax exempt financing for school construction. All of that is in the
Roth bill.

Whatever time I had remaining, I
yield back.

I make a point of order that the Bingaman amendment No. 1462 is ex-
traneous to the bill before us. Therefore,
I raise a point of order under sec-
tion 313(b)(1)(A) of the Congressional Budget Act.

Mr. BINGAMAN. Mr. President, pur-
suant to section 904 of the Congress-
ional Budget Act, I move to waive the
applicable sections of that act for the
consideration of the pending amend-
ment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a
sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 1472, AS FURTHER MODIFIED

The PRESIDING OFFICER. Under the
previous order, there will now be 15
minutes equally divided for concluding
remarks with respect to the Hutchison
of Texas amendment, No. 1472.

Who yields time?

The Senator from Texas.

Mrs. HUTCHISON. Mr. President, under
the previous unanimous consent
agreement, I send a modification of the
amendment to the desk to amendment
No. 1472.

The PRESIDING OFFICER. The
amendment is so modified.

The amendment (No. 1472), as further
modified, is as follows:

On page 10, line 6, strike “2001” and insert
“2005”.

On page 10, strike the matter between lines
19 and 20, and insert:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Applicable dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 or 2007</td>
<td>$9,000</td>
</tr>
<tr>
<td>2008 and thereafter</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

On page 11, strike the matter before line 1, and insert:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Applicable dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 or 2007</td>
<td>$2,000</td>
</tr>
<tr>
<td>2008 and thereafter</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

On page 11, line 3, strike “2007” and insert
“2006”.

On page 32, between lines 14 and 15, insert:

SEC. 1. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) In General.—(Paragaph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking “$5,000” in subparagraph (A) and inserting “twice the dollar amount in effect
under subparagraph (C) for the taxable year”;

(2) by adding “or” at the end of subparagraph (B); and

(3) by striking “in the case of” and all that
follows in subparagraph (C) and inserting “in
any other case,”.

(b) Phase-In. —Section 63(c) of section 63 is amended by adding at the end the fol-

lowing new paragraph:

(7) PHASE-IN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years begin-

ning after January 1, 2008—

“(A) paragraph (2)(A) shall be applied by

subtracting for ‘twice’—

“(i) ‘1.671 times’ in the case of taxable

years beginning before January 1, 2008—

“(ii) ‘1.70 times’ in the case of taxable

years beginning during 2008,

“(iii) ‘1.727 times’ in the case of taxable

years beginning during 2009,

“(iv) ‘1.837 times’ in the case of taxable

years beginning during 2010,

“(v) ‘1.951 times’ in the case of taxable

years beginning during 2011,

“(vi) ‘1.963 times’ in the case of taxable

years beginning during 2012,

“(vii) ‘1.973 times’ in the case of taxable

years beginning during 2013.

(b) The basic standard deduction for a

married individual filing a separate return shall be one-half of the amount applicable
under paragraph (2)(A).

If any amount determined under subpara-
graph (A) is not a multiple of $50, such
amount shall be rounded to the next lowest
multiple of $50.

(c) Technical Amendments.—

(1) Technical paragraph (B) of section 151(f)(6) is
amended by striking “other than with” and
all that follows through “shall be applied” and
inserting “other than with respect to sections 63(c)(4) and 151(d)(4)(A) shall be
applied”.

(2) Paragraph (4) of section 63(c) is amend-
ed by adding at the end the following flush
sentence:

If any amount determined under subsection (A) is not a multiple of $50, such
amount shall be applied by subtracting
“$10,000” and inserting
“$11,000”.

(d) Effective Date.—The amendments
made by this section shall apply to taxable
years beginning after December 31, 2000.

On page 38, line 18, strike “2000” and insert
“2004”.

On page 236, strike line 12 through the
matter following line 21, and insert:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Applicable dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 or 2007</td>
<td>$5,000</td>
</tr>
<tr>
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<td>$2,500</td>
</tr>
</tbody>
</table>

Who yields time? The Senator from Texas.

Mr. ROTH. Mr. President, I yield my
self 4 minutes.

Mrs. HUTCHISON. Mr. President, I
would like to add my support for the amend-
ment that the Senator from Texas has pro-
posed. The PRESIDING OFFICER. The
Senator from Missouri is recognized for 2
minutes.

Mr. ASHCROFT. Mr. President, first
of all, I thank the Senator from Texas for
his outstanding work correcting a pernicious
discrimination against the most valuable
institution in our society, the family. I thank the chairman for his
sensitivity to this important issue, for placing in this bill procedures
to remedy the marriage penalty.

The marriage penalty simply is an
anomaly. It is a strangeness in the tax
structure that has evolved, that penal-
izes people for being married. It puts
them into higher tax brackets when they
get married than when they were
single. When people get married, they
start paying a tax penalty. That is
something we should stop.

The President from Texas and the
chairman of this committee have agreed
that we should stop it. And we should.
America should not penalize the
family. It should not make it harder for
people to have families. It should not
make it financially more difficult for
two people to be married and live to-
gether than unmarried and live to-
gether. That is a simple fact. It is be-
cause the family is the best depart-
ment of social services, the best de-
partment of education; it is the best
place in which individuals are enriched
to learn individual responsibility and
the values and character our culture
needs to survive.

I am very pleased to be a part of this
tax measure which will say about
America’s families that we cherish
them rather than punish them and it is
time for all of us to join together and
eliminate the marriage tax penalty.

The PRESIDING OFFICER. The time
of the Senator has expired.

Who yields time? The Senator from
Delaware.

Mr. ROTH. Mr. President, I yield my
self 4 minutes.

Mrs. HUTCHISON. Mr. President, parliametary inquiry. Is the 4 minutes
from my 7½ minutes?

Mr. ROTH. I am yielding this from
my 7½ minutes.

The PRESIDING OFFICER. Time in
opposition to the amendment?

Mr. ROTH. Actually, Mr. President, I
want to add my support for the amend-
ment put forward by Senator Hutchison.
It builds on the basic objec-
tives of the Taxpayer Refund Act of
1999, particularly objectives of helping
families bring greater equity to the
Tax Code.

One very important provision of the
tax relief package we have proposed is
the elimination of the marriage tax penal-
yalty. There is strong bipartisan agree-
ment that this penalty is not only unfair but that it is counterproductive
in a way that discourages couples from marrying.

Mr. BAUCUS. If the Senator will yield just a few minutes?

Mr. ROTH. I yield 3 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, I again compliment my good friend, the Senator from Kansas, Senator BROWNBACK, in the Chamber desiring to vote?

Mrs. HUTCHISON. I yield the Senator from Texas.

Mr. BROWNBACK. Mr. President, I thank the Senator from Texas. I am delighted to join her in this amendment that it appears will garner overwhelming support. I hope that sends a strong signal across this country that today is a day to celebrate. We should be celebrating the institution of marriage and support that institution rather than tax it.

For many years now we have taxed it. Clearly, if there is a policy in Government that you want less of, something, tax it; if you want more of something, subsidize it. We have been taxing marriage, and marriage has fallen off in this country 43 percent over the last 30 years. That is a woman’s decision for an institution that is so central.

I note to my colleagues, we all frequently talk about family values. Thomas, from Hilliard, OH, writes in about this point on the marriage penalty and the notion of family values:

No person who legitimately supports family values could be against this bill. The marriage penalty is but another example of how in the past 40 years the federal government has enacted policies that have broken down the fundamental institutions that were the strength of this country from the start.

I could not have put it better. I am delighted it appears that this amendment is going to be agreed to. I hope the President’s office is if you want less of something, tax it; if you want more of something, subsidize it. It. I have been taxing marriage, and marriage has fallen off in this country 43 percent over the last 30 years. That is a woman’s decision for an institution that is so central.

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The PRESIDING OFFICER. The question is now on the amendment of the Senator from Texas. Does the Senator request the yeas and nays?

Mrs. HUTCHISON. Yes.

The PRESIDENT pro tempore. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. BROWNBACK. Mr. President, I ask unanimous consent that Senator DOMENICI be added as an original cosponsor of the amendment.

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

Mr. FITZGERALD addressed the Chair.

The PRESIDENT pro tempore. The amendment (No. 1472), as further modified, was agreed to.

Mr. DURBIN addressed the Chair.

Mr. DURBIN. Mr. President, I ask unanimous consent that Senator DOMENICI be added as an original cosponsor of the amendment.

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

Mr. MCCLELLAN of the Finance Committee explains the amendment.

Mr. MCCLELLAN. Mr. President, I ask unanimous consent that a member of my staff, Kathleen Strottman and Ben Cannon, have floor privileges.

The PRESIDENT pro tempore. Mr. DURBIN addressed the Chair.

Mr. DURBIN. Mr. President, I ask unanimous consent that two staffers, Kathleen Strottman and Ben Cannon, have floor privileges.

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

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

Mr. FITZGERALD addressed the Chair.

The PRESIDENT pro tempore. The amendment (No. 1472), as further modified, was agreed to.

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Mr. DURBIN. Mr. President, I ask unanimous consent that Senator DOMENICI be added as an original cosponsor of the amendment.

The PRESIDENT pro tempore. Without objection, it is so ordered.
Finally, I might add that even the President’s Medicare proposal sets aside a maximum of only $7.5 billion over 10 years while the BBA fixes, $12.5 billion less than this amendment.

The amendment is not germane to this reconciliation legislation, and I raise a point of order under section 305 (b)(2) of the Budget Act.

Mr. KENNEDY, pursuant to section 904 of the Budget Act, I move to waive that section in that act for consideration of this motion. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. KENNEDY. The Balanced Budget Act of 1997 helped bring us to this era of budget surpluses and economic prosperity. But the too-fast, too-far cuts used to balance the budget have come from Medicare.

At the time the BBA was enacted, those savings were expected to total $116 billion over five years. Now, they are estimated by CBO to be nearly twice as great—nearly $220 billion over five years. Such deep cuts in Medicare are clearly unfair and unacceptable.

Not surprisingly, all of us are now hearing from bedrock health care institutions across the country that are being devastated by these excessive cuts. Teaching hospitals—community hospitals—community health centers and many others. We are hearing from those who care for the elderly and disabled when they leave the hospital—nursing homes—home health agencies—rehabilitation facilities. We are hearing from virtually every one who cares for the 40 million senior citizens and disabled citizens on Medicare. They are telling us in no uncertain terms that Congress went too far.

This motion is the first step toward reducing the steepest cuts. It would provide $20 billion over the next ten years to slow or eliminate the harshest impact of the Balanced Budget Act. It would ensure that the nation’s hospitals and other health care facilities will be able to care for senior citizens and the disabled in the years ahead.

With the retirement of the baby boom generation, the last thing we should be doing is jeopardizing the viability of the many health care facilities that depend on Medicare for their survival. These institutions are being hard hit in cities and towns across the nation.

Often, the hospitals and other institutions that care for Medicare patients also care for other patients as well. Health care in the entire community is being threatened.

Teaching hospitals are on the receiving end of a triple whammy. The slash in Medicare reductions is leading to less patient care, less doctor training, and less medical research at the nation’s top hospitals. In my own state of Massachusetts, for the first time in history, some of the finest and most renowned teaching hospitals in the country are now operating at a deficit. This situation is unsustainable—and it is happening all over our country. We will all suffer if these great institutions are forced out of business or into the arms of for-profit corporations.

Community hospitals are suffering, too. Throughout my State of Massachusetts, we are seeing red ink and cutbacks in essential services. This, too, is happening all over the country.

In Massachusetts alone, house health agencies are losing $160 million a year. Twenty agencies have closed their doors since the Balanced Budget Act went into effect. Many others are seeing fewer patients, and seeing their remaining patients less often. The home-bound elderly are especially vulnerable, and are suffering even more. In just the last two weeks, two Massachusetts nursing homes have declared bankruptcy.

This proposal is an important step to restore the viability of these indispensable institutions in our health care system, and I urge the Senate to approve it. We must undo the damage before it is too late. The last thing we need to see on the doors of the nation’s teaching hospitals, community hospitals, home health agencies, and nursing homes, is a sign that says, “Closed because of the ill-considered activities of the United States Congress.”

The PRESIDING OFFICER. The question is on agreeing to the motion. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The yeas and nays resulted—yeas 50, nays 50, as follows:

[Rollcall Vote No. 234 Leg.]

YEAS—50

Abraham        Kyl
Alaska         Lieberman
Alaska         Lott
Bayh           McCaskill
Biden          Mynihan
Bingaman       Murray
Boxer           Reed
Breux           Robbins
Bryan           Rockefeller
Byrd           Sanabres
Chafee         Schummer
Cleland         Sessions
Collins         Specter
Conrad          Torricelli
Daschle         Wellstone
Dodd            Wyden
Dorgan

NAYS—50

Allard         Enzi
Ashcroft       Kerry
Bennett         Kyl
Bland           Lott
Brownback       McCaskill
Bunning        McCain
Bush            McCain
Campbell       Markowski
Coburn          Nickles
Coveredman      Niccol
Craig           Roth
Crape           Sessions
DeWine          Shelby
Domenici
numbers to predict what the surplus is or is not and what is left for spending. Under that formula, there is virtually no money in this tax bill left for discretionary spending.

A few days ago, a new chart suddenly popped up. The new chart comes up with this money. How does it come up with this money? It basically assumes that the Congress, over the next 10 years, is going to not only cut discretionary spending under the caps as planned but then not raise discretionary spending above inflation over the next 8 years.

I say that is a fiction—it is just not going to happen, so the money is not there—developed by this recent new chart.

If it is an accurate assumption that there is no spending, then it cuts discretionary spending by 50 percent, one or the other. It is a fiction.

The PRESIDING OFFICER. The question is on amendment No. 1467.

Mr. BAUCUS. Mr. President, I raise a point of order that the pending amendment violates 313(b)(1)(A) of the Congressional Budget Act of 1974.

Mr. FRIST. Pursuant to section 904 of the Budget Act, I move to waive the Budget Act for the consideration of my amendment No. 1467, and I ask for the yeas and nays.

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Mr. FRIST. Pursuant to section 904 of the Budget Act, I move to waive the Budget Act for the consideration of my amendment No. 1467, and I ask for the yeas and nays.
Mr. DOMENICI. Mr. President, this table clearly shows there is no Social Security money in this tax cut.

Secondly, maybe the Senator is confused. CBO says the President still does not lock up all the Social Security money. It is $30 billion short.

Last, I suggest if they are really concerned about the Social Security trust fund size, why are they filibustering against a lockbox that would bankrupt it and make sure it is there?

In summary, the Senator from New Jersey is using the wrong chart. It does not apply to the real situation. We are using no Social Security money in terms of our tax cut.

I move to table the Lautenberg motion to reconsider and ask for this vote. The assistant legislative clerk called the roll.

The result was announced—yeas 55, nays 45, as follows:

[Rollcall Vote No. 236 Leg.]

**YEAS—55**

Abraham   Prist    Markowski
Abell     Gorton   Nickles
Aubuchon  Gramm   Roberts
Bennett   Grams    Roth
Bond       Grassley  Santorum
Brownback  Greve    Sessions
Bunning   Hagel    Shelby
Burns     Hatch     Smith (ND)
Campbell  Helsel    Specter
Chaifee   Hutchinson  Smith (OR)
Cochran   Hutchinson  Snowe
Collins   Inhofe    Stevens
Corker    Jeffords  Thomas
Craig      Kyi      Thomas
Crapo     Lotz      Thompson
DeWine    Lugar    Thurmond
Domenici  Mack     Voinovich
Enzi      McCain   Warner
Fitzgerald McConnell

**NAYS—45**

Akaka       Edwards   Levin
Baucus      Feingold  Lieberman
Bayh        Feinstein  Lincin
Biden       Graham    Mikulski
Bingaman   Hatkin    Moorehead
Boxer       Hollings  Murray
Breaux      Inouye    Reed
Bryan       Johnson   Reid
Byrd        Kennedy   Robb
Cleland     Kerrey    Rockefeller
Conrad      Kosinski  Sarbanes
Daschle     Kohl      Schumer
Dodd        Landrieu  Torricelli
Dorgan      Lautenberg  Wolsten
Durbin      Leska     Wyden

The motion was agreed to.

Mr. LAUTENBERG. I move to reconsider the vote.

Mr. DOMENICI. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KYL addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

**AMENDMENT NO. 1469, AS MODIFIED**

(Purpose: To repeal the Federal estate and gift taxes and the tax on generation-skipping transfers, to repeal a step up basis at death, and for other purposes)

Mr. KYL. I call up amendment No. 1469, and ask unanimous consent that it be modified.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered. The clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. KYL] proposes an amendment numbered 1469, as modified.

Mr. KYL. I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment, as modified, is as follows:

Beginning on page 226, line 1, strike through page 237, line 5, and insert:

**TITLE VII—ESTATE AND GIFT TAX RELIEF PROVISIONS**

Subtitle A—Repeal of Estate, Gift, and Generation-Skipping Taxes; Repeal of Step Up in Basis at Death

SEC. 701. REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.

(a) In General.—Subtitle B is hereby repealed.

(b) Effective Date.—The repeal made by subsection (a) shall apply to the estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2007.

SEC. 702. TERMINATION OF STEP UP IN BASIS AT DEATH.

(a) TERMINATION.—In the case of a decedent dying after December 31, 2007, this section shall not apply to property for which basis is provided by section 1022.

(b) CONFORMING AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking “and” at the end of paragraph (20), by striking the period at the end of paragraph (27) and inserting “; and”, and by adding at the end the following:

“(28) to the extent provided in section 1022 (relating to basis for certain property acquired from a decedent dying after December 31, 2007).”

SEC. 703. CARRYOVER BASIS AT DEATH.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following:


“(a) CARRYOVER BASIS.—Except as otherwise provided in this section, the basis of carryover property in the hands of a person acquiring such property from a deceased shall be determined under section 1015.

“(b) CARRYOVER BASIS PROPERTY DEFINED.—

(1) IN GENERAL.—For purposes of this section, the term ‘carryover basis property’ means any property—

“(A) which is acquired from or passed from a decedent who died after December 31, 2007, and

“(B) which is not excluded pursuant to paragraph (2).
The property taken into account under subparagraph (A) of section 1014(b) without regard to subparagraph (A) of the last sentence of paragraph (9) thereof.

(2) DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

"(4) Executor means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent." 

(3) CLERICAL AMENDMENT.—The table of sections of subchapter O of chapter 1 of subpart V of part 3 of subtitle A of title 26 shall be reduced by the amount which bears the same ratio to such increase as such excess bears to $700,000.

(4) ALLOCATION OF REDUCTION.—The reduction described in paragraph (A) shall be allocated among the decedent's estate, and the executor or administrator of the estate, in accordance with subparagraph (A) of section 1014(b).

(5) INCREASES OF BÁSIS IN PROPERTY.—For purposes of this subsection, the term 'increased basis' includes any increase in the aggregate basis of any property which results from the application of any provision of this chapter, or any provision of any other chapter of the Internal Revenue Code of 1986, to any property of a decedent.

(6) APPLICATION OF INCREASES.—For purposes of this subsection, any property of a decedent shall be deemed to be sold or transferred at an increased basis.

(b) Definitions.—For purposes of this section, the term 'increased basis' means the excess of—

(1) the basis of the property at the time of death, or, in the case of property with respect to which the basis is determined by reference to the increased basis, the amount of the increased basis, or

(2) the amount of any increase in the basis of the property which results from the application of any provision of this chapter, or any provision of any other chapter of title 26, to any property of a decedent.
There are four problems I see with the underlying bill’s death-tax provisions. First, the bill tries to make palatable what would have been fundamentally indefensible. Taxing death is wrong.

Second, because it leaves the death tax in place, the need for expensive estate-tax planning also remains. Some people will have to divert money they would have spent on new equipment or new hires to insurance policies designed to cover death-tax costs. Still others will spend millions on lawyers, accountants, and other advisors for death-tax planning purposes. But that leaves fewer resources to invest, start up new businesses, hire additional people, or pay better wages.

Third, the higher exemption proposed in the committee bill provides some relief, but I believe it also serves as an artificial kick on small businesses’ growth. To avoid the death tax, an entrepreneur merely needs to limit the growth of his or her business so it does not exceed the $1.5 million exemption amount. That means fewer jobs, and less output.

I believe it would be better to eliminate the tax and, if there is a need to impose a tax, impose it when income is actually realized—that is, when the as- sets are sold. That is what this amendment would do.

I want to stress to colleagues, particularly colleagues on the Democratic side of the aisle, that we do not allow appreciation in inherited assets to go untaxed, as other death-tax repeal proposals would do. We are merely saying that if a tax is imposed, it should be imposed when income is realized. Earn- ings from an asset should be taxed the same whether the asset is earned or inherited.

The question has been posed at various times during debate on this bill whether the American people want tax relief. Let me answer that question with respect to the issue at hand. Although most Americans will probably never pay a death tax, most people still sense that there is something terribly wrong with a system that allows Washington to seize more than half of whatever is left after someone dies—a system that prevents hard-working Americans from passing the bulk of their nest eggs to their children or grandchildren.

Seventy-seven percent of the people responding to a survey by the Polling Company last year indicated that they favor repeal of the death tax. When Californians had the chance to weigh in with a ballot proposition, they voted two-to-one to repeal their state’s death tax. The legislatures of five other states have enacted legislation since 1997 that will either eliminate or significantly reduce the burden of their states’ death taxes.

The 1995 White House Conference on Small Business identified the death tax as one of small business’s top concerns, and delegates to the conference voted overwhelmingly to endorse its repeal. Outright repeal received the fourth highest percentage of votes among all resolutions approved at the conference.

A couple of other points to consider about the death tax. It is one of the most inefficient taxes that the govern- ment levies. Alicia Munnell, who was a member of President Clinton’s Council of Economic Advisors, estimated that the costs of complying with death-tax laws are of roughly the same magnitude as the revenue raised. In 1998, that was about $23 billion. In other words, for every dollar of tax revenue raised by the death tax, another dollar is squandered in the economy simply to comply with or avoid the tax.

The tax hurts the economy. A report issued by the Joint Economic Committee in December of 1998 concluded that the existence of the death tax this century has reduced the stock of capital in the economy by nearly half a trillion dollars. By repealing it and putting those better use, the Joint Committee estimated that as many as 240,000 jobs could be created over seven years and Americans would have an additional $24.4 billion in disposable personal income. So much for the contention that this is a tax that touches only a few.

It appears that the chairman of the Finance Committee will raise a point of order against this amendment. I think that is regrettable. If there is a way to improve this amendment, I am willing to work with Chairman Roth on any ideas he might have. But if the point of order is intended to preserve the death tax as a permanent part of the Tax Code, I have a very significant difference of opinion, and I think he should allow the Senate to work its will, rather than use a parliamentary point of order to block it.

This is a good amendment; the policy it proposes is sound, and fair. Its time has come. I urge my colleagues to support the amendment.

As I say, this amendment would repeal the estate tax, the so-called death tax. According to the Joint Tax Committee, under scoring, it cannot occur until the eighth year or until 2007. But at that point it replaces the death tax with a tax on the sale of the assets, usually a capital gains tax, if and when the property is sold. In other words, it is a very fair compromise between those who believe there should be some tax on the sale of assets and those who believe that death itself should not be a taxable event.

I am advised that a point of order will be made that this amendment is not germane. If that is done, I believe that to be very unfortunate. But be- cause Senator Kerrey would prefer that we not proceed with a vote on the point of order, I will not contest the ruling of the Chair.

I believe that repeal of the death tax enjoys more than majority support and am confident that in the conference committee, we will be able to accept legislation very close to it which repeals the death tax along the lines of the Kyl-Kerrey approach.

I urge my colleagues to support repeal of the death tax. If a point of order is made, I will not contest it.

The PRESIDING OFFICER. Who seeks recognition?

Mr. MOYNIHAN. Mr. President, the pending amendment is not germane. Therefore raise a point of order that the amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The point of order is well taken and the amendment falls. Who seeks recognition?

Mr. HOLLINGS addressed the Chair. The PRESIDING OFFICER. The Senator from South Carolina.

The PRESIDING OFFICER. The time of the Chair has expired. The Senator from South Carolina.

Mr. HOLLINGS. Mr. President, on behalf of Senator LIEBERMAN, Senator LEVIN, and myself, I move to recommit the bill to the Finance Committee with instructions that the report back within 3 days with an amendment that implements the Greenspan recommendations by deferring tax reductions and by taking any projected revenue surplus and actually reducing the national debt.

Now, for days on end we have been talking about what Mr. Greenspan said here, what Mr. Greenspan said here. As our friend, the former Attorney General Mitchell said: Watch what we do, not what we say.

He has been trying to stay off the course; namely, just take, in a sense, any surpluses—don’t argue about them, but if you can find them, then apply that to reducing the national debt. So all we say that all we go to heaven but we don’t want to do what is necessary to get there. All of us say that we want to reduce or pay down the national debt, but we don’t want to do what is necessary to get there. All you have to do in order to get there or reduce the debt is vote for this motion.

I yield to Senator LIEBERMAN.

Mr. LIEBERMAN. Mr. President, in the interest of legislative efficiency, let alone fiscal responsibility, Senator LEVIN and I are withdrawing our motion to strike the entire tax cut and joining to raise the same issue with Senator HOLLINGS on this amendment which says you can’t have a tax cut if the surplus is not there, and there is no evidence the surplus is there.

The PRESIDING OFFICER. The time of the Senate has expired. The Senator from Delaware.

Mr. ROTH. Mr. President, I rise in opposition to this motion. In a very real way, this is the final vote on the legislation before us. Let me point out that both Democrats and Republicans have broadly agreed that there should be a tax cut. That tax cut should be now. The American people are entitled
to relief. What we are really doing here is restoring the excess taxes already paid. For that reason, I shall make a motion to table.

Let me reemphasize again, the Democrats have had a proposal of $300 billion in a tax cut. There has been a $500 billion tax cut. We have followed the budget recommendations of $792 billion. To deny the working people of America the tax break they deserve today makes no sense at all.

For that reason, I move to table the motion to recommit, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. LEVIN. Mr. President, I join in cosponsoring the Hollings motion to recommit the bill to the Finance Committee with instructions to defer tax reductions in order to reduce the national debt. I cosponsored the Hollings motion in lieu of calling up the Lieberman-Levin amendment because the effect of the Hollings motion, had it been adopted, would have been largely the same as the Lieberman-Levin amendment.

The tax program before the Senate is unfair to middle income Americans, it is economically unwise and it’s based on unrealistic assumptions. The unfairness is perhaps best shown by the fact that about three of its tax benefits go to the upper one-fifth of our people. In addition to being unfair, it is economically unwise that jeopardizes Medicare, fails to strengthen Social Security, and risks higher interest rates.

This bill takes us back to the bad old days of backloaded tax breaks whose real costs explode several years after enactment. This budgetary time bomb is set to go off at roughly the same time as the Medicare trust fund is expected to be bankrupt and the bill begins to come due for Social Security. In that decade, as the “baby boomers” begin to retire, the Social Security Trust fund will begin to run a deficit, requiring the redemption of Treasury bonds which it holds.

It is also based on unrealistic projections. Projections are always risky. We have seen many federal budget estimates, and we know well that as quickly as these surpluses appear, they can disappear. In 1981, President Ronald Reagan introduced his Economic Recovery Tax Act which included huge tax cuts and predictions that the budget would be balanced by 1984. In 1981, I opposed the Reagan tax cut because I was convinced that it would lead to huge deficits. We have paid dearly for the debt which resulted from that legislation. In 1992, the deficit in the federal budget was $290 billion. The remarkable progress which has brought us now to the threshold of surpluses has come about in large part as a result of the deficit reduction package which President Clinton presented in 1993, and which this Senate passed by a margin of one vote, the Vice-President’s. We should not now, by passing a tax bill like the one before us, head back down the road toward new future deficits.

I joined with Senator HOLLINGS in his motion to defer the tax cut, because it seems clear to me that we should first see if the surplus is real before we adopt tax cuts; second, if those surpluses are real, we should pay down the national debt faster; and third, we should save tax cuts for a time of economic slowdown.

During the consideration of this legislation and the national debate which has surrounded it, much has been made of the projected reduction of the national debt and concurrent reductions in interest payments. Although the debt held by the public, or the so-called external debt, is projected to be paid down by the surpluses accumulated in the Social Security Trust Funds, interest paid to the Social Security Trust funds in the form of bonds will continue to increase for more than a decade. At that time, in approximately 2014, unless Social Security reform has materialized is, in my judgement, both unwise and imprudent.

The table shows that through 2035, under current projections, that although the cash interest payments to the public on external debt go down over the course of the next 15 years or so to zero, the amount of interest that the Treasury will be required to pay to the Social Security Trust Funds in bonds and eventually in cash rises sharply during that period, and beyond. After that, the amount of cash necessary to redeem bonds representing principal held by the Social Security Trust Funds kicks in and then rises sharply. The projections show that in the year 2025, for example, the Treasury would be required to pay to Social Security $255 billion in interest payments and an additional $35 billion in cash to redeem bonds representing principal held by the Social Security Trust Funds which will then be needed to pay benefits to recipients. Ten years later, in the year 2035, the projections show that, in the absence of Social Security reform, the Treasury would be required to pay to Social Security $135 billion in interest payments and an additional $576 in cash for bonds representing principal redeemed. These obligations are one more powerful reason why a huge tax cut, at this time, before the surpluses have even actually materialized is, in my judgement, both unwise and imprudent.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the motion to recommit. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 65, nays 35, as follows:

<table>
<thead>
<tr>
<th>YEARS–65</th>
<th>Cash Interest Paid to Trust Fund</th>
<th>Interest Paid on External Debt</th>
<th>Bond Interest Paid to Trust Fund</th>
<th>Trust Fund Principal Redemptions in Cash</th>
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<td>2015</td>
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Source: OMB.

The rollcall vote No. 237 Leg.
The motion was agreed to. Mr. McCaIN addressed the Chair.

Mr. MccAIN. Mr. President, I call up amendment No. 1397 and ask for its immediate consideration.

Mr. MCCaIN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. The Clerk will report.

The legislative clerk read as follows:

The Senator from Arizona (Mr. MCCaIN) proposes an amendment numbered 1397. Mr. MCCaIN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

Mr. MCCaIN. Mr. President, my amendment would create a national three-year school choice demonstration program for children from economically disadvantaged families and the cost of this is fully paid for by eliminating unnecessary corporate subsidies for the ethanol, oil, gas, and sugar industries. This demonstration would provide educational opportunities for low-income children by offering parents and students the freedom to choose the best school for their unique academic needs, while encouraging schools to be creative and responsive to the needs of all students.

Each eligible child would receive $2,000 each year for attending any school of their choice—including private or religious schools.

In total, the amendment authorizes $5.4 billion for the three-year school choice demonstration program, as well as a GAO evaluation of the program upon its completion. The cost of this important test of school vouchers is fully offset by eliminating more than $5.4 billion in unnecessary and inequitable corporate tax loopholes which benefit the ethanol, sugar, gas and oil industries.

These tuition vouchers would help provide over 1 million low-income children trapped in poor performing schools the same educational choices as children of economic privilege.

Providing educational choice to low-income children is an important step in ensuring all our children, not just wealthy children can make their dreams a reality.

We can not afford to continue subsidizing the ethanol, sugar, oil and gas industries at a time when we are struggling to save Social Security and Medicare, provide much needed and deserved tax relief to American families and strengthening our investment in the health, security and education of our children—our future.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. REED addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island is recognized.

Mr. REED. Mr. President, I oppose this amendment on procedural grounds. This is a highly complex subject. It is a subject that I am sure will be debated extensively as we consider the Elementary and Secondary Education Act. But in principle also I think any attempt to divert these resources to private education when we have so many unmet needs in public education.

I believe also that if we adopt the underlying tax bill there will be even less resources to devote to public education and it will exacerbate the demands that we already must meet with respect to public education.

There is a difference between private schools and public schools. Private schools can exclude children. Public schools must educate every child in America.

I believe our obligation and commitment is to public education, and this amendment will defeat that.

I also note that the pending amendment is not germane.

Therefore, I raise a point of order that the amendment violates Section 305(b)(2) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCaIN. Mr. President, pursuant to section 904 of the Congressional Budget Act, I move to waive the point of order against amendment No. 1397, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER (Mr. HAGEL). The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the McCain amendment No. 1397. The yeas and nays have been ordered. The clerk will call the roll.

The legislative assistant proceed to call the roll.

The yeas and nays resulted—yeas 13, nays 87, as follows:

YEAS—13

Allard
Biden
DeWine

NAYs—87

Abraham
Akaka
Ashcroft
Bayes
Bennett
Bond
Boxer
Brownback
Bryan
Byrd

The PRESIDING OFFICER. On this vote the yeas are 13 and the nays are 87.

Mr. KENNEDY. Mr. President, I have an amendment at the desk.

Mr. KENNEDY. Mr. President, I have an amendment at the desk.

Mr. KENNEDY. Mr. President, I have an amendment at the desk.

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

Mr. KENNEDY. Mr. President, I have an amendment at the desk.

The PRESIDING OFFICER. The Clerk will report.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an amendment numbered 1383.

Mr. KENNEDY. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

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

The Senator from Nebraska.

CHANGE OF VOTE

Mr. HAGEL. Mr. President, on rollcall No. 238, I voted "aye." It was my intention to vote "no." Therefore, I ask unanimous consent that I be permitted to change my vote since it would in no way change the outcome of the vote.

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

Mr. KENNEDY. Mr. President, I have an amendment at the desk.

The PRESIDING OFFICER. The Clerk will report.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an amendment numbered 1383.

Mr. KENNEDY. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is printed in a previous edition of the Record.

Mr. KENNEDY. Mr. President, Republicans continue to deny us the opportunity to vote on our bill to raise the minimum wage for the lowest paid workers. That is why I have filed the Fair Minimum Wage Act of 1999 as an amendment to the Budget Reconciliation Bill.
Shame on Congress for giving tax breaks to the rich, but denying a pay raise for the working poor. The $792 billion Republican tax bill will disproportionately benefit the wealthiest Americans. Almost thirty percent of the tax breaks, once fully implemented, will go to the wealthiest 1 percent of Americans—those who make over $200,000 a year. Seventy-five percent of the tax breaks will benefit the wealthiest 20 percent of Americans—those with an average income of over $139,000.

But these tax breaks do virtually nothing for the lowest paid workers. They give minimum wage earners less than $22 a year in tax relief, compared to an average tax break of $22,964 a year for the wealthiest Americans. The Republicans want to give America’s wealthiest 1 percent a windfall that is equal to or higher than what 40 percent of Americans earn in a year.

The vast magnitude of these tax breaks is possible only because they depend on severe budget cuts in Head Start, Summer Jobs for low-income youth, and HUD housing subsidies for low-income tenants. Shame on Congress for ignoring the majority of America’s workers to benefit the wealthiest few.

Our amendment is a modest proposal to raise the minimum wage from its present level of $5.15 an hour to $5.65 on September 1, 1999 and to $6.15 on September 1, 2000. It will help over 11 million American families.

At $6.15 an hour, working full-time, a minimum wage worker would earn $12,800 a year under this amendment—an increase of over $2,000 a year. That additional $2,000 will pay for almost ten months of utility bills for average family across the board retirement plans that benefit all employees. The Republican tax bill also undermines the current tax code rules that require retirement benefits to be distributed fairly among lower and higher paid workers.

Under current law, minimum wage earners can barely make ends meet. Working 40 hours a week, 52 weeks a year, they earn $10,712—almost $3,200 below the poverty line for a family of three. The real value of the minimum wage is now more than $2.00 below what it was in 1968. To have the purchasing power it had in 1968, the minimum wage should today be at least $7.49 an hour, not $5.15. This unconscionable gap shows how far we have fallen short over the past three decades in giving low income workers their fair share of the country’s extraordinary prosperity.

To rub salt in the wound, Congress recently designed off on the cost of living pay increase for every member of the Senate and House of Representatives. Republican Senators don’t blink about giving themselves an increase—how can they possibly deny a fair increase to minimum wage workers?

It is time to raise the Federal minimum wage. No one who works for a living should have to live in poverty. I urge my colleagues to join me in raising the minimum wage.

**The PRESIDING OFFICER.** The Senator from Oklahoma.

Mr. NICKLES. Mr. President, we should not be passing a law on a tax cut bill to say it is against the law for anyone in the country to work for $6.10 an hour, that the Federal Government, in its infinite wisdom, decided if you don’t have a job that pays at least $6.15 an hour you should be unemployed. That would be a serious mistake.

This language in this amendment is not germane to the bill now before us. I now raise a point of order under section 305(b)(2) of the Congressional Budget Act.

Mr. KENNEDY. Mr. President, pursuant to section 904 of the Congressional Budget Act, I move to waive all the applicable sections of the Act for consideration of the pending amendment.

Mr. President, I ask for the yeas and nays.

**The PRESIDING OFFICER.** Is there a sufficient second?

There is a sufficient second.

The yeas and nays ordered. The **PRESIDING OFFICER.** The question is on agreeing to the motion to waive the Budget Act in relation to the Kennedy amendment, No. 1383. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 46, nays 54, as follows:

**NAYS—54**

Abraham
Allard
Ashcroft
Benett
Bond
Brownback
Bunning
Burns
Campbell
Chafee
Cochran
Collins
Coverdell
Craig
Caucus
Corker
DeWine
Domenici
Emenee
**YEARS—46**

Akaka
Feingold
Bell
Frist
Bachus
Fitzgerald
Barker
Gibbons
Baxley
Inouye
Brown
Johnson
Bryan
Kennedy
Byrd
Kerry
Brodhead
Kerry
Conrad
Kohl
Daschle
Landrieu
DeWitt
Leahy
Durbin
Levin
Edwards
Lugar
**AMENDMENT NO. 1386**

(Purpose: To provide a complete substitute)

Mr. SPECTER. Mr. President, I call up amendment No. 1386.

The **PRESIDING OFFICER.** The clerk will report.

The legislative clerk read as follows:

The Senator from Pennsylvania [Mr. SPECKER] proposes an amendment numbered 1386.

The amendment is printed in a previous edition of the RECORD.

The **PRESIDING OFFICER.** The Senator from Pennsylvania.

Mr. SPECTER. Mr. President, I urge my colleagues to support this flat tax amendment realistically as a protest against the complicated Tax Code which now numbers some 7.5 million words, costs $600 billion in compliance, and takes 5.4 billion hours to comply. This amendment is supported by Senator LOTT, Senator NICKLES, Senator CRAIG, and others.

In a very shorthand statement, this is a tax return under the flat tax. It is a postcard, and it can be filled out in 15 minutes. It eliminates taxes on capital gains, on estates and on dividends, all of which have been taxed before. It is not regressive. There is no tax for a family of four up to $27,500 in earnings, which is 53 percent of Americans. There is a reduction in tax for $1,000 up to $35,000. It is even at $75,000. An affirmative vote will signal a protest to urge the Finance Committee and Ways and Means to give serious consideration to this important reform.
The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, we have not seen a copy of this amendment, but I assume it is the standard flat tax that has been discussed for years. If that is the case, then the net effect of it will be, for more income earners, most American taxpayers, in effect, a tax increase. The only taxpayers with a tax reduction under the standard flat tax proposal will be those of adjusted gross incomes of over $200,000, and the tax reduction will be 50 percent. Stated differently, this is a tax on workers but it is not a tax on other income, which I think is unfair.

In any event, the amendment is not germane. I raise a point of order that it violates section 355(b)(2) of the Budget Act.

Mr. SPECTER. Mr. President, under the applicable provision, I move to waive the provision as to germaneness, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act with respect to amendment No. 1396. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The yeas and nays resulted—yeas 53, nays 47, as follows:

[Rollcall Vote No. 240 Leg.]

YEAS—35

Allard Grumm Murkowski
Bennett Grassley Nickles
Brownback Gregg Reid
Burns Hatch Sessions
Campbell Helms Shelby
Cooper Norton Smith (N)
Collins Inhofe Specter
Coverdell Kyi Stevens
Craig Lott Thomas
Frist McAin
Gorton McConnell

NAYS—65

Abraham Edwards Lieberman
Akaka Feinstein Mikulski
Ashcroft Peiineinstein
Baucus Feingold
Bayh Fitzgerald Moinih
Biden Graham
Bingaman Harkin
Bond Hagel
Boxer Harkin
Breaux Hollings
Brownback Hutchinson
Bunning Inouye
Byrd Johnson
Cleland Kennedy
Conrad Kerry
Daschle Kerry
DeWine Kohl
Dodd Landrieu
Domenici Lautenberg
Dorgan Levin
Durbin Levin

The PRESIDING OFFICER. On this vote the yeas are 35, the nays are 65. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. SCHUMER. Mr. President, I call up my amendment.

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as follows:

The Senator from New York [Mr. SCHUMER], for himself, Ms. SNOWE, Mr. BAYH, and Mr. SMITH of Oregon, proposes an amendment numbered 1416.

Mr. SCHUMER. Mr. President, I ask unanimous consent that the Senate proceed with the reading of the amendment be dispensed with.

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

The text of the amendment is printed in a prior edition of the RECORD.

Mr. SCHUMER. I thank the Chair. I yield 30 seconds to the Senator from Maine when I am completed.

This amendment is simple. It is bipartisan, sponsored by the Senator from Maine, Ms. SNOWE, Mr. SMITH of Oregon, Mr. BAYH of Indiana, and myself. It seeks no political advantage for either side. It helps the middle class in a vitally needed way, by making college tuition, up to $12,000, fully deductible for all those in the 28 percent bracket or lower. That is over 90 percent of all Americans. The average middle class person making $50,000, $60,000, $70,000 a year sweats at night worrying about paying for the cost of college, which is getting higher and higher. I urge support of the amendment.

The PRESIDING OFFICER (Mr. BUNNING). The Senator's 30 seconds expire.

The Senator from Maine.

Ms. SNOWE. Mr. President, I urge my colleagues to support this amendment. It will dramatically improve access for working American families in this country to pursue higher education. The bottom line is that even as the cost of college has quadrupled over the past 20 years, in fact, growing nearly to twice the rate of inflation, the value of Pell grants has actually decreased. Where it used to cover 39 percent of the cost of a public education, today it is 22 percent. In fact, in the last 5 years alone, the total amount of college loans has soared by 82 percent, even after adjusted for inflation. I hope that we will help American families with this amendment.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, Senator SCHUMER's amendment would provide a full tax deduction for higher education and a tax credit for student loans. While I recognize that we need to assist American families with the cost of higher education, I cannot support this amendment. The costs of this amendment are enormous. I understood that it would cost something like $25 billion over 10 years, but the pay-for would delay the AMT relief that is provided in this bill. That delay would impact on working Americans, depriving them of the child credit, personal exemptions, and, ironically, educational benefits such as the HOPE scholarship and lifetime earnings.

Mr. President, I regret that I must make a point of order against the amendment under section 305 of the Budget Act on the grounds it is not germane.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I move to waive the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the Schumer amendment No. 1416. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative assistant called the roll.

The result was announced—yeas 53, nays 47, as follows:

[Rollcall Vote No. 241 Leg.]
OBJECTION TO COMMITTEE MEETING

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. REED. Mr. President, I note that the banking committee is meeting at this time, and objection to that meeting has been made for the RECORD.

The PRESIDING OFFICER. It is so noted.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I thank the majority leader, the minority leader, and also Senator ROTH, Senator REID, and Senator MOYNIHAN.

We have made very good progress in reducing the number of amendments. I think we are down to maybe a few amendments. I know that on this side we are only looking at one or two that would require a rollcall vote. We are trying to make it as short as possible. We have a few more requests. I think we are making good progress. I know Senator REID is making good progress.

That is for the information of our colleagues.

We would also like to keep the rollcall votes to 10 minutes. The last rollcall vote went a little extra. We are going to finish this bill today. It is in everybody's interest to stay on the floor and to have timely rollcall votes. We expect to accept a couple of amendments right now. That will help expedite the process.

I yield the floor.

AMENDMENT NO. 1452

(Purpose: To increase the mandatory spending in the Child Care and Development Block Grant by $30,000,000,000 over 10 years in order to assist working families with the costs of child care, and for other purposes)

Mr. DODD. Mr. President, I call up amendment 1452 and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD], for himself and Mr. JEFFORDS, proposes an amendment numbered 1452.

(The text of the amendment is printed in a previous edition of the RECORD.)

Mr. JEFFORDS, Mr. President, the child development block grant has helped millions of families keep jobs by helping offset the enormous costs of child care, which enable them to go to work. In most cases, subsidies are so low that families are forced to use the cheapest and, in many cases, the poorest quality child care.

There are 66 Senators who voted for the money in the budget for this purpose. The kids at the Burlington YMCA are right: We must act now for quality child care.

Mr. DODD. Mr. President, this is a very good amendment. Only one in 10 eligible children is being served. I thank my colleagues, Senators JEFFORDS, CHAFFEE, SNOWE, COLLINS, ROBERTS, STEVENS, and DOMENICI.

This is a large bipartisan group that cares about this very much.

These are needed resources to get to children who are not being well served. The tax credit is not refundable so it does not reach that low-income category. This child care development block grant does assist these families.

For those reasons, we urge adoption of the amendment. I thank the leadership for agreeing this be done on a voice vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1452) was agreed to.

Mr. DODD. Mr. President, I move to reconsider the vote.

Mr. ROBB. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MOTION TO RECOMMIT

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, despite the opportunities we have had in this bill and in the Finance Committee to address the $112 billion school repair needs in this country, this tax bill is simply inadequate in terms of infrastructure assistance for our Nation's schools.

We know 14 million children attend schools in need of extensive repair or complete replacement. We know we need to build 2,400 new schools by 2003 to accommodate record school enrollments. We know we need to equip our schools with modern technology and the infrastructure necessary to support that technology. We know all these things. Yet we have reported a tax bill that only helps build and renovate 200 schools. We cannot starve our schools of resources and then criticize them when they are overcrowded or dilapidated.

On behalf of Senators LAUTENBERG, CONRAD, HARKIN, and WELLSTONE, I move to recommit the bill to the Committee on Finance, with instructions to report back to the Senate within 3 days with an amendment reducing or deferring by $5.7 billion over the next 10 years certain new tax rates in the bill that benefit those who least need relief.

Mr. NICKLES. I think this procedure would be a serious mistake. We don't want Federal bureaucrats trying to improve school construction programs. I think it would be a serious mistake. We should leave those decisions of which schools to be building and which schools to repair to the State and local governments.

I move to table the motion, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 55, nays 45, as follows:

[Rollcall Vote No. 242 Leg.]

YEAS—55

Abraham (MN)  Frist (TN)  Murkowski (AK)
Aillard (RI)  Gorton (WA)  Nickles (OK)
Ashcroft (GA)  Graham (SC)  Roberts (WV)
Bennett (MA)  Grassley (IA)  Roth (DE)
Bond (OR)  Crassley (IA)  Santorum (PA)
Brownback (KS)  Gregg (WA)  Sessions (AL)
Bunning (NM)  Hagel (NE)  Shelby (AL)
Burns (NV)  Hatch (UT)  Smith (NH)
Campbell (NV)  Helms (NC)  Smith (OR)
Chambliss (GA)  Hoeven (ND)  Snowe (ME)
Cochran (MS)  Hutchinson (AR)  Specter (PA)
Collins (ME)  Inhofe (OK)  Stevens (WA)
Craig (CO)  Jeffords (VT)  Thomas (TN)
Crapo (ID)  Lott (MS)  Thurmond (SC)
Dennis (MS)  Lugar (WY)  Voinovich (OH)
Domenici (NM)  Mack (FL)  Warner (VA)
Ehlers (MI)  McCain (AZ)  Wamp (TN)
Enderle (NV)  McConnell (KY)  Wyden (OR)

NAYS—45

Akaka (HI)  Edwards (CT)  Levin (MI)
Baucus (MT)  Feingold (WI)  Lieberman (CT)
Bayh (IN)  Feinstein (CA)  Lincoln (NE)
Biden (DE)  Graham (FL)  Mikulski (MD)
Bingaman (NM)  Harkin (IA)  Moynihan (NY)
Boxer (CA)  Hollings (SC)  Murray (WA)
Breaux (LA)  Insure (KS)  Reed (WV)
Bryan (NV)  Johnson (TX)  Reid (NV)
Byrd (WV)  Kennedy (MA)  Rubin (CA)
Craig (CO)  Kerry (MA)  Rockefeller (NY)
Conrad (ND)  Kerry (MA)  Sarbanes (MD)
Daschle (SD)  Kohl (WI)  Schumer (NY)
Dodd (CT)  Landrieu (LA)  Schumer (NY)
Dorgan (IA)  Lautenberg (NJ)  Wellstone (MN)
Durbin (IL)  Leahy (VT)  Wyden (OR)

The motion was agreed to.

Mr. DOMENICI. Mr. President, I move to reconsider the vote.

Mr. ROBB. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MOTION TO RECOMMIT

Mr. WELLSTONE. I call up my motion to recommit to veterans' health care.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Minnesota [Mr. WELLSTONE] moves to recommit the bill, S. 1429, to the Committee on Finance with instructions that the Committee on Finance report the bill to the Senate with provisions which—

Establish a reserve account for purposes of providing funds for medical care for veterans.

Provide for the deposit in the reserve account of $3,000,000,000 in each of fiscal years 2000 through 2004.

Make available amounts in the reserve account in those fiscal years for purposes of medical care for veterans, which amounts shall be in addition to any other amounts available for medical care for veterans in those fiscal years; and

Provide that amounts for deposits in the reserve account shall be derived by reductions in the amounts of new tax reductions provided in the bill, wherever possible, for individuals with incomes exceeding $200,000 per year.
Mr. WELLSTONE. Mr. President, I introduce this motion with Senator Johnson of Wisconsin, Senator Daschle, and Senator BINGAMAN. The motion calls for $3 billion added to veterans' health care. That is consistent with what the Veterans' Affairs Committee has said we need to do. That is consistent with the veterans independent budget. That is consistent with what the report we did last week on the gaps in veterans' health care, and every single Senator voted on the budget resolution for a $3 billion increase for veterans' health care. That is the least we should do to make sure there is high-quality health care for veterans in our country.

Mr. JOHNSON. Mr. President, the underlying tax bill calls for domestic spending reductions of anywhere from 24 to 38 percent, closing down VA hospitals from one end of this country to the other. That is the one vote on which my colleagues will have an opportunity to make sure there is enough money in the VA system to keep those hospitals open.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. BOND. Mr. President, I agree with my colleagues on the other side. Yet the President's budget devastates veterans' health care. The flat-line budget proposed by this administration will result in some 13,000 Veterans Affairs employees being RIF'd or furloughed. It will close down facilities. It will throw people out of the care of the veterans facilities.

The problem is that this motion does nothing to get money to veterans. This body has already gone on record saying we do not want to stay at the low level submitted by the President. That is why we are going to increase by hundreds of millions of dollars in the appropriate amount we need for veterans' health care. We are concerned about veterans' health care. That is why we are not going to tolerate the unforgivably small budget that the President has proposed. This is an attempt to provide appropriations when, in fact, it will have no such impact. There is $505 billion set aside in this plan for spending on high-priority matters.

Mr. President, I make a point of order against the amendment section 305 of the Budget Act on the grounds that it is not germane.

Mr. WELLSTONE. Mr. President, I move to waive the Budget Act and I ask for the yeas and nays on the motion.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second. The yeas and nays were ordered.

The PRESIDING OFFICER. The question is to agree to the motion to waive the Budget Act with respect to the motion to recommit. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll. The yeas and nays resulted—yeas 58, nays 42, as follows:

YEAS—58

Abraham Feinsteinn Mikulski
Akaka Graham Moynihan
Baucus Harkin Murray
Bayh Hollings Reed
Biden Hutchinson Reid
Bingaman Hutchinson Robb
Boxer Inouye Rockefeller
Bryan Jeffords Santorum
Burns Johnson Sarbanes
Byrd Kennedy Schumacher
Cleland Kerry Smith (NY)
Collins Kerry Snowe
Conrad Kohl Specter
Daschle Landrieu Thomas
Durbin Lautenberg Torricelli
Dodd Leahy Wyden
Dorgan Levin Wyler
Durbin Lieberman Wyden
Edwards Lincoln Wyden
Feingold McCain

NAYS—42

Allard Ashcroft Zell Miller
Bennett Fritz Thompson
Bond Goretn Markowski
Brokaw Grassm Nickles
Brownback Gramm Roberts
Bunning Grassley Roth
Campbell Gregory Sessions
Chafee Hagel Shelby
Cooper Hatch Smith (GA)
Coverdale Holtz Stabenow
Craig Inhofe Thompson
Crapo Kyl Voinovich
Domenici Leit Voight

The PRESIDING OFFICER (Mr. RICHARDS). On this vote the yeas are 58, the nays are 42. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the motion falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. NICKLES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

MOTION TO RECOMMIT

Mr. BINGAMAN. Mr. President, I move that the bill be recommitted to the Finance Committee that I call up at this time.

The PRESIDING OFFICER. The clerk will report.

The legislative assistant read as follows:

The Senate from New Mexico [Mr. BINGAMAN] moves to recommit the bill to the Committee on Finance with instructions to report back within three days with an amendment providing for an additional $100 billion of debt reduction, and to do so by reducing narrowly-targeted, special-interest tax breaks and tax reductions that disproportionately benefit the wealthy.

Mr. BINGAMAN. Mr. President, we have a historic opportunity before us. We have the first major debate in nearly two decades in the Senate, we are presented with predictions of a growing surplus. We made the tough choices in 1993 and again in 1997 to bring spending under control, to reduce the deficit, and to restore the federal budget to balance. We must decide how to respond to this opportunity. Will we invest it wisely and prudently, or will it be squandered? Will we return to the disastrous policies of the 1980's, or can we stay on the path of fiscal discipline? The American public is deeply cynical about government. Now is our chance to prove we can come together in our national interest.

I am deeply concerned about the Republican plan for using this surplus. In my opinion, they are squandering an opportunity we won't have again to extend the solvency of Medicare and Social Security, to invest in key priorities like education, the environment and medical research, and to pay down our national debt. We shouldn't go off on a spending or tax-cutting spree when we have this huge debt to repay.

Unfortunately, the Republicans have chosen to focus single-mindedly on cutting taxes. I believe we should have a tax cut—I would favors tax relief for working families, such as easing the marriage penalty and increasing the per-child credit—but this bill goes much too far. Instead, we need to balance the money among several key priorities.

There is almost no single policy that is more important to the long-term health of our budget, to the sustainability of the surplus, and to our overall economy, than paying off some of our three-and-half trillion dollar national debt. We cannot leave this burden to our grandchildren.

With a single voice, economists have told us of the benefits of and importance of paying down that debt. It will lead to lower interest rates. It will produce higher surpluses, because we will be paying less interest. And it will reduce our enormous debt, which is a tremendous burden to the economy, because it will free up private capital for productive investment that makes our economy grow, and raise the standard of living for us all.

Alan Greenspan himself has said repeatedly that the most important thing to do with the surplus is to pay down the debt. He has said it over and over and over again. And he's been saying it for quite some time now. Some of my Republican colleagues have seized on another statement he made—saying that if paying down the debt is not politically feasible, then he prefers tax cuts to spending.

My colleagues, there is no one here who is in charge. We are free to vote for what's right, and to define what's possible or what's not. We can vote to reduce the debt, or to irresponsibly spend this one-in-a-lifetime surplus on an excessively large tax cut that would damage our economy and endanger Medicare and Social Security, education, law enforcement, defense—just about any important national program.
Paying off the debt today will also leave us in a much stronger position to afford the cost of the baby boom’s retirements. As we pointed out, the cost of the Republican tax cuts begin to rise dramatically just at the same time the pressures on the budget begin to grow as the baby boomers start to retire.

But Republicans have rejected our attempts to pay down the debt. They claim they are doing plenty to pay down the debt—and that this is enough. They may even talk about a Congressional Budget Office report that purports to show how their plan reduces the debt. But that analysis is based on a fiction; the fiction that Republicans will be able to cut spending dramatically—by nearly one-fourth. And if defense is funded at the level the Administration has requested, other important domestic programs would face cuts of nearly 40 percent. This means less medical research, dramatic cuts in the number of children participating in Head Start, substantial reductions in the number of federal law enforcement personnel, no new environmental cleanups, closures at national parks. The list goes on.

However, as we all know, Democrats and Republicans both, there is really no support for cuts of that magnitude, either in Congress or among the public. A story on the front page of the Washington Post on July 27, 1999 puts the lie to Republican assertions that they will be able to cut spending. They can’t even pass this year’s appropriations bills without resorting to smoke-and-mirrors gimmickry to hide the cost of their bills.

Without those cuts, they need to raid the Social Security trust fund to pay for their tax cut. And they will increase it far from reduce, our national debt.

The truth is, they want their excessive, risky tax cut so badly that they are willing to put the health of our economy at risk, to endanger the security of retirees, and to short-change important national priorities like investments in education, medical research, the environment and even national defense.

Republicans want to spend 97 percent of the available non-Social Security surplus on tax cuts—tax cuts whose cost explodes in the future, overheat our economy, and disproportionately favor the rich and special interests.

Democrats have offered reasonable alternatives that balance tax cuts with Medicare solvency, debt reduction and investments in key domestic priorities. But these have all been rejected.

So I am making this last, very modest attempt to avoid wasting surplus—asking for $100 billion of this surplus tax cut be used instead for paying off more of our national debt. This would leave about 86 percent of the surplus for tax cuts—this is less than 97 percent they want to spend, but is still a substantial amount. We could do more to reduce the debt, but we like it anyway. But this is a starting point.

My motion would instruct the Finance Committee to report the bill back in 3 days, with an amendment to reduce the tax cut by $100 billion, and use the savings to pay down more of our national debt. It also instructs the Committee to find the savings by reducing narrowly-targeted special interest tax breaks in the bill, and tax relief that disproportionately benefits the wealthy.

Last week, just days after Republicans passed their tax bill out of committee, the Washington Post ran a story detailing the special-interest giveaways in the Republican tax bills. These include special breaks for seaplane owners in Alaska, barge lines in Mississippi, and foreign residents who use frequent-flyer miles to purchase airline tickets. Since then, we have also learned just how skewed the bill is toward families with the very highest incomes. The top 1 percent of all taxpayers would receive a whopping 30 percent of the tax cuts. Overall, the top five of taxpayers would receive 75 percent of the tax relief. It seems to me there is plenty of room in this bill to reduce the tax cut by $100 billion for the sake of reducing our national debt.

The Republicans have rejected our balanced alternative to a huge, improper tax cut, and they have rejected our lockbox that would set aside the enormous, risky tax cut by $100 billion in order to further reduce our nation’s indebtedness? That’s only about 10 percent of the available surplus. Only 10 percent for prudence and responsibility to fulfill the agenda, the

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. One, I appreciate our colleague’s willingness to have a voice vote. We, I encourage others to have voice votes.

For the information of all Senators, I think we are making good progress. We only have a few amendments left, maybe just three or four that require voice votes. I urge our colleagues, on this particular motion—despite my colleague’s very good intentions—to vote no by voice vote.

The PRESIDING OFFICER. The question is on agreeing to the motion.

The motion was rejected.

Mr. SANTORUM. Mr. President, I move to reconsider the vote.

Mr. NICKLES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.  

MOTION TO RECOMMIT

Mr. DORGAN. Mr. President, I call up my motion to recommit.
rate. I believe we need to address the needs of America's growing investor class. They have a rich pay capital gains tax. Forty-nine percent of the investor class are women, and 38 percent are nonprofessional, salaried workers. Wall Street and Main Street are no longer separated. I believe it is time we recognize this fact and help new middle-class investors succeed in their drive to invest and save for the future.

I think it is time to cut the tax on mutual funds and pensions for working Americans and, therefore, I have offered this amendment. The Senate has been discussing the subject of retirement plans for the last 20 years. Many of you have been talking about the need for increased retirement savings. I believe we need to address the needs of all the old class warfare slogan and also on a paternalism point. We don't do it for them. We shouldn't do it today. They don't need the Federal Government saying in this legislation, recede to the House position which reduces capital gains tax rates.

The PRESIDING OFFICER. The distinguished Senator from New York.

Mr. MOYNIHAN. Mr. President, the pending amendment is not germane. Accordingly, I raise a point of order that the amendment violates section 305(b)(2) of the Congressional Budget Act of 1974.

Mr. ABRAHAM. Mr. President, I respond by saying that it is my impression that the Senate is considering a bill that would allow individuals to save for retirement. I believe that we need to address this issue in a comprehensive manner.

The motion to lay on the table was rejected by a vote of 46-54. Those voting in the affirmative were:...

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

Amendment No. 1454

(Purpose: To block companies from entering into a situation where they are giving benefits to younger workers and denying those same benefits to older employees. The amendment clearly stops a method by which some employers skirt the intent of current law that prevents them from taking away already accrued pension benefits)

Mr. HARKIN. Mr. President, I call up amendment No. 1454 and ask unanimous consent that Senator KENNEDY and Senator WELLSTONE be added as co-sponsors.

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

Amendment No. 46

(Purpose: To block companies from entering into a situation where they are giving benefits to younger workers and denying those same benefits to older employees. The amendment clearly stops a method by which some employers skirt the intent of current law that prevents them from taking away already accrued pension benefits)
Mr. HARKIN. Mr. President, right now companies are changing pension plans. They are going from defined benefit plans to these cash balance plans. That is OK. This amendment doesn’t stop that. But what is happening now is workers who have worked at these companies for sometimes 20 or 25 years have their pensions degraded. There are 5 to 7, and sometimes as many as 10, years when nothing is put into their pension plans. The younger workers are getting money paid into their pensions and the older workers are not.

This amendment says that if they change pension plans they can not discriminate against the older workers, and the companies have to put into the older workers’ pension accounts whatever they are putting into the younger workers’ pension accounts so that we don’t have this kind of a swindle away for 5 or 7 years when older workers are denied their pension benefits.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I rise to oppose this amendment. Employer sponsorship of defined benefit pension plans have been declining over the last few years, mainly due to the increased regulatory burden that Congress and the IRS has placed on employers who offer these plans to employees.

This amendment would also substantially impair the employer’s ability to design and change their pension plans to meet the changing needs of the business and of the employees. In addition, it would punish good corporate citizens who maintain pension plans while leaving other companies free to terminate their plans in order to get from under this new law.

We have dealt with the concerns that participants do not know or understand changes to their pension plans with the more expansive disclosure requirements that are contained in this bill.

We should focus on revitalizing the defined pension system, rather than adding new burdens on employers who voluntarily establish these plans. For these reasons, I urge my colleagues to oppose this amendment.

Mr. President, I make a point of order. The amendment under section 305 of the Budget Act on the grounds that it is not germane.

Mr. HARKIN. Mr. President, pursuant to section 901 of the Congressional Budget Act, I move to waive the Congressional Budget Act for the consideration of amendment No. 1454, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays are ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Congressional Budget Act in relation to the Harkin amendment No. 1454. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted—yeas 48, nays 52, as follows:

[Rollcall Vote No. 245 Leg.]

Mr. DORGAN. I have a motion at the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized. The Senate will be in order.

Mr. KENNEDY. Mr. President, I send a motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the motion.

The yeas and nays have been ordered. The Senator from Massachusetts [Mr. Kennedy] moves to recommit the bill to the Committee on Finance, with instructions to report back to the Senate within 3 days, with an amendment to reserve $39 billion to provide permanent appropriations to the Pell Grant program in years 2000 through 2009 by reducing or deferring certain new tax breaks in the bill, especially those that disproportionally benefit the wealthy.

Mr. KENNEDY. Mr. President, as I understand, there is a 2-minute time limit, 1 minute to either side; is that correct?

The PRESIDING OFFICER. The Senator’s time is limited to 1 minute.

If we could have order in the Senate, please, we could expedite things.

Mr. KENNEDY. Mr. President, this is to try to provide some help and additional assistance to those individuals who are receiving the Pell grants. Those are virtually the lowest-income students. For the over 4 million students who are receiving Pell grants, their average income is $14,000 a year. They are the students who are encumbered to the greatest degree as a result of borrowing. They start out, if they are lucky enough to get into college, having these overwhelming debts. This would provide some $39 billion which would increase the Pell grants some $400. It would still only make them about 60 percent of what the Pell grants were some 20 years ago.

As we are looking out after providing tax breaks for those in the upper incomes, it does seem to me that to try to give further encouragement to able and gifted students at the lower income level deserves support.

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

Mr. GRAMM. We are all aware Congress has provided substantial funds for Pell grants.

The PRESIDING OFFICER. The Senate is not in order.

Mr. GRAMM. Mr. President, you would have had to roll the turnip truck not to realize this Congress is a major funder of Pell grants. We provide substantial funding in Pell grants in guaranteed student loans. What we have before us is not another assistance program, not another program that is trying to single out every interest group in America and give them something, but instead we have a tax bill that is aimed at letting working Americans keep more of what they earn so they can help send their children to college.

I hope we might see an amendment such as this withdrawn and not have to vote on it.

I yield the remainder of my time.

Mr. KENNEDY. Mr. President, as I understand it, the time has been used or yielded back. I look forward to a vote on this motion.

The PRESIDING OFFICER. The question is on agreeing to the motion. The motion was rejected.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. On this vote the yeas are 48, the nays are 52. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment fails.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. LEAHY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The distinguished Senator from Wisconsin is recognized. The bill will be in order.

Mr. KENNEDY. Mr. President, I send a motion to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the motion.

The legislative clerk read as follows:

The Senator from Massachusetts [Mr. Kennedy] moves to recommit the bill to the Committee on Finance, with instructions to report back to the Senate within 30 days, with an amendment to reserve $39 billion to provide permanent appropriations to the Pell Grant program in years 2000 through 2009 by reducing or deferring certain new tax breaks in the bill, especially those that disproportionally benefit the wealthy.
The Senator from North Dakota [Mr. DOR- 
gan] moves to reconsider the vote.

Mr. DORGAN. Mr. President, I would like 
to take just a few seconds and then 
yield to Senator WELLSTONE the 
remainder of the 1 minute.

This is a motion to reconsider the bill to the 
Committee on Finance with instructions to report back with an amendment to reserve sufficient amounts of funding to allow our nation to reach our goal of serving 
one million children through the Head Start 
program and to ensure that the number of 
nutritionally at-risk women and children 
being served by the Special Supplemental 
Nutrition Program for Women, Infants, and 
Children will not be reduced in fiscal years 
2000 through 2009, by limiting the bill’s 
new excess of $300,000 and for large businesses.

The PRESIDING OFFICER. Without 
objection, the Senator is recognized.

Mr. DORGAN. Mr. President, I would like 
to take just a few seconds and then 
yield to Senator WELLSTONE the 
remainder of the 1 minute.

This is a motion to reconsider the bill to the 
Committee on Finance with instructions to report back with an amendment to reserve sufficient amounts of funding to allow our nation to reach our goal of serving 
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being served by the Special Supplemental 
Nutrition Program for Women, Infants, and 
Children will not be reduced in fiscal years 
2000 through 2009, by limiting the bill’s 
new excess of $300,000 and for large businesses.

Mr. ASHCROFT. Mr. President, this 
amendment simply eliminates from this 
bill a special tax cut aimed at for- 
eign technologies for converting poult- 
try waste into electricity. I agree with 
converting poultry waste into some- 
thing useful, but I disagree with giving 
a tax break to foreign corporations 
when there are U.S. companies capable 
of achieving that end.

Two such companies exist in my 
home State. Agri-Cycle of Springfield, 
MO, processes chicken manure into 
pollution-free fertilizer pellets. The 
British company that wants to build 
the facility here and burn the waste 
claims they need the tax break because 
without it, they would not be able to 
expand here because they are used to 
large subsidies they receive from the 
British Government.

I ask my colleagues to support this 
amendment, and I ask for the yeas and 

The PRESIDING OFFICER. Is there a sufficient second? 

There appears to be a sufficient sec- 

The yeas and nays were ordered.

The PRESIDING OFFICER. Does any 
Senator wish to speak in opposition to 
the amendment?

The Senator from Delaware.

Mr. ROTH. I suggest a voice vote.

The PRESIDING OFFICER. Does any 
Senator wish to speak in opposition to 
the amendment?

Mr. ASHCROFT. Mr. President, I call 
for the yeas and nays. 

The question is on agreeing to the motion 
to recommit. 

The motion to lay on the table was 
rejected.

Mr. ROTH. I move to lay that motion 
of the 1 minute.

The motion to lay on the table was 
agreed to.

AMENDMENT NO. 1456

Mr. ASHCROFT. Mr. President, I call 
up amendment No. 1456 which is at the 
desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read 
as follows:

The Senator from Missouri [Mr. ASHCROFT] 
proposes an amendment numbered 1456.

Mr. ASHCROFT. Mr. President, I ask 
unanimous consent that the reading of 
the amendment be dispensed with.

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

(The amendment is printed in a pre-
vious edition of the RECORD.)

The PRESIDING OFFICER. The 
Senator is recognized for 1 minute.

Mr. ASHCROFT. Mr. President, this 
amendment simply eliminates from this 
bill a special tax cut aimed at for- 
eign technologies for converting poult- 
try waste into electricity. I agree with 
converting poultry waste into some- 
thing useful, but I disagree with giving 
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without it, they would not be able to 
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large subsidies they receive from the 
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amendment, and I ask for the yeas and 

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Two such companies exist in my 
home State. Agri-Cycle of Springfield, 
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British company that wants to build 
the facility here and burn the waste 
claims they need the tax break because 
without it, they would not be able to 
expand here because they are used to 
large subsidies they receive from the 
British Government.

I ask my colleagues to support this 
amendment, and I ask for the yeas and 

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. LOTT. I move to lay that motion 
on the table.

The motion to lay on the table was 
agreed to.

The PRESIDING OFFICER (Mr. 
BROWNBACK). The Senator from Wis- 
consin.

AMENDMENT NO. 1417

(Purpose: To amend the Internal Revenue 
Code of 1986 to repeal the percentage deple- 
tion allowance for certain hardrock mines)

Mr. FEINGOLD. Mr. President, I call 
up amendment No. 1417.

The PRESIDING OFFICER. The 
clerk will report.

The legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEIN- 
gold] proposes an amendment numbered 
1417.

Mr. FEINGOLD. Mr. President, I ask 
unanimous consent that reading of the 
amendment be dispensed with.

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

(The amendment is printed in a pre-
vious edition of the RECORD.)

Mr. FEINGOLD. Mr. President, my 
word! McCarthyism! I mean amendment 
No. 1417.
to hard rock minerals and does not touch oil and gas, and it preserves the deduction for private lands.

The President’s fiscal year 2000 budget recommends eliminating this tax break.OMB estimates this amendment would raise $78 million over 5 years.

We allow companies to mine on public lands for very low patent fees already. We shouldn’t continue to provide them with a double subsidy by preserving this special tax break for hard rock mining companies which ordinary businesses do not get. I understand this will be the subject of a voice vote.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 1417.

The amendment (No. 1417) was rejected.

Mr. BOTH. Mr. President, I recognize Senator COVERDELL, for the next amendment.

AMENDMENT NO. 1426, AS MODIFIED

Mr. COVERDELL. Mr. President, I ask unanimous consent to send a modification of my amendment No. 1426 to the desk.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report.

The official clerk read as follows:

The Senator from Georgia [Mr. COVERDELL], for himself, Mr. TORRICELLI, Mr. DOMENICI, Mr. BAYH, and Mr. ABRAHAM, proposes an amendment numbered 1426, as modified.

Mr. COVERDELL. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment, as modified, is as follows:

On page 32, strike line 12 through 14, insert the following:

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2005.

SEC. 723. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) GENERAL RULE.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by redesignating section 1220 as section 1223 and by inserting after section 1220 the following new section:

"SEC. 1220. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

"(a) GENERAL.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

"(1) the net capital gain of the taxpayer for the taxable year, or

"(2) $1,000.

"(b) SALES BETWEEN RELATED PARTIES.—Gains from sales and exchanges to any related person (within the meaning of section 267(b) or 707(b)(1)) shall not be taken into account in determining net capital gain.

"(c) SPECIAL RULE FOR SECTION 1250 PROPERTY.— Solely for purposes of this section, in applying section 1250 to any disposition of section 1250 property, all depreciation adjustments in respect of the property shall be treated as additional depreciation.

"(d) SECTION NOT TO APPLY TO CERTAIN TAXPAYERS.—No deduction shall be allowed under this section to—

"(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins,

"(2) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

"(3) an estate or trust.

"(e) SPECIAL RULE FOR PASS-THRU ENTITIES.—

"(1) IN GENERAL.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

"(2) PASS-THRU ENTITY DEFINED.—For purposes of paragraph (1), the term ‘pass-thru entity’ means—

"(A) a regulated investment company,

"(B) a real estate investment trust,

"(C) a partnership,

"(D) an estate or trust, and

"(E) a common trust fund.

"(b) COORDINATION WITH MAXIMUM CAPITAL GAINS RATE.—Paragraph (3) of section 1(h) (relating to maximum capital gains rate) is amended to read as follows:

"(3) COORDINATION WITH OTHER PROVISIONS.—For purposes of this subsection, the amount of the net capital gain shall be reduced (but not below zero) by the sum of—

"(A) the amount of the net capital gain taken into account under section 1220(a) for the taxable year, plus

"(B) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(i)(I).

"(c) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 (defining adjusted gross income) is amended by inserting after paragraph (17) the following new paragraph:

"(18) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 1220.

"(d) TREATMENT OF COLLECTIBLES.—

"(1) IN GENERAL.—Section 1222 (relating to other terms relating to capital gains and losses) is amended by inserting after paragraph (11) the following new paragraph:

"(12) SPECIAL RULE FOR COLLECTIBLES.—

"(A) IN GENERAL.—Any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

"(B) TREATMENT OF CERTAIN SALES OF INTEREST IN PARTNERSHIP, ETC.— For purposes of subparagraph (A), any gain from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(a) shall apply for purposes of the preceding sentence.

"(C) COLLECTIBLE.—For purposes of this paragraph, the term ‘collectible’ means any capital asset which is a collectible (as defined in section 1012) without regard to paragraph (3) thereof.

"(2) CHARITABLE DEDUCTION NOT AFFECTED.—

"(A) Paragraph (1) of section 170(e) is amended by striking paragraph (1) thereof and inserting in lieu thereof—

"(B) the deduction under section 1220 and the exclusion provided by section 1202 shall not apply to—

"(C) the deduction provided by section 1220 and the exclusion provided by section 1202 shall not apply.

"(g) EFFECTIVE DATES.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2005.
The PRESIDING OFFICER. Without objection, it is so ordered.

(The amendment is printed in a previous edition of the RECORD.)

Ms. SNOWE. Mr. President, I ask unanimous consent to add Senator SCHUMER as a cosponsor of this amendment.

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

Ms. SNOWE. Mr. President, essentially this targeted provision that is included in the amendment that Senator SCHUMER and I had offered that addresses the growing debt burden faced by recent college students.

The bottom line is, we all recognize that the cost of college education has quadrupled over the last 20 years, growing at twice the rate of inflation.

In fact, over the past 5 years, the demand for college loans has soared by more than 32 percent.

Therefore, recent graduates have been forced to assume a greater burden of debt after they graduate from college.

My amendment would add a tax credit for interest on student loans for the first 5 years upon graduation so that it would ease the amount of debt that individuals have to assume. It would be a $1,500 tax credit.

In fact, this has received the support of the American Council on Education.

I will quote from this letter:

By adding your amendment to the Roth provision, students who are working hard to repay their loans will receive tax relief for the duration of their repayment and benefit from the additional relief of your credit during their first years out of college.

I ask unanimous consent to have printed in the RECORD the letter from which I just quoted.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMENDMENT NO. 1375, AS MODIFIED

(Purpose: To provide a minimum dependent care credit for stay-at-home parents, and for other purposes)

On behalf of:

President.

AMENDMENT NO. 1375, AS MODIFIED

(Purpose: To provide a minimum dependent care credit for stay-at-home parents, and for other purposes)

On behalf of:

President.
“(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

“(b) EXCEPTION TO APPLY THIS PARAGRAPH. This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year.”.

“On page 21, line 1, strike ‘‘(C)’’ and insert ‘‘(d)’’.

Mr. GREGG. Mr. President, this is the stay-at-home-moms amendment. It basically extends the dependent care tax credit to stay-at-home moms. I note that the Senate voted 96-0 in a sense of the Senate for this proposal. It applies to the first year of the child’s life and would apply the dependent care-tax credit to that first year, so that mothers who stay at home and raise children are treated the same way as mothers who have to go to work and send their children to day care.

I note that it is an amendment that is targeted at middle- and low-income families, with stay-at-home mothers in households with an average $38,000 in income and with two working parents with an average income of about $58,000. It is a proposal the Senate has spoken on relative to the sense of the Senate. Therefore, I hope the Senate supports this proposal.

I ask for a voice vote.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I urge my colleagues to support the Gregg amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 1375) was agreed to.

VOTE ON AMENDMENT NO. 1468

Mr. NICKLES. Mr. President, if I might have the attention of the Senate, a moment ago we had a voice vote on the Senate amendment and there was some question on the outcome. I think the Chair ruled “no” on the Snowe amendment, and I personally think there was a significant question about that. A lot of people voted in favor of the amendment. So I move to reconsider the vote on the Snowe amendment.

The PRESIDING OFFICER. Is there objection to reconsidering the vote?

Without objection, the vote will be reconsidered.

The question is on agreeing to amendment No. 1468 by the Senator from Maine, Ms. SNOWE.

The amendment (No. 1468) was agreed to.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

MOTION TO WAIVE

Mr. ROTH. Mr. President, section 202 of S. 1429 makes certain that the marriage penalty relief in the bill also applies to married couples receiving earned income. Thus, the provision violates the Budget Act because it increases outlays.

In order to protect the provision against a point of order, I move to waive any point of order against section 202 in this legislation, as a subsequent conference report, or in an amendment between the Houses if such point of order is made on the grounds that the enhancement of the earned-income tax credit for married couples is an increase in outlays.

So I move for a voice vote.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Delaware.

In the opinion of the Chair, three-fifths of the Senators duly sworn having voted in the affirmative, the motion is agreed to.

Mr. ROTH. Mr. President, I ask unanimous consent that notwithstanding the passage of the reconciliation bill, the managers, or any of them, have the authority, in conjunction with the Secretary of the Senate, to make further changes to the bill.

I further ask consent that the changes just described must be cleared by both managers and the authority extend until 5 p.m. on Friday.

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

AMENDMENTS AGREED TO, EN BLOC

Mr. ROTH. Mr. President, I send a series of amendments to the desk and ask unanimous consent that these amendments be considered agreed to en bloc, the motion to reconsider be laid upon the table, and any statements relating to these amendments appear at this point in the RECORD. I indicate to my colleagues that these amendments have been cleared on both sides of the aisle.

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

AMENDMENTS AGREED TO, EN BLOC

Mr. ROTH. Mr. President, I send a series of amendments to the desk and ask unanimous consent that these amendments be considered agreed to en bloc, the motion to reconsider be laid upon the table, and any statements relating to these amendments appear at this point in the RECORD. I indicate to my colleagues that these amendments have been cleared on both sides of the aisle.

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

The amendments (Nos. 1375, 1377, 1378, 1394, 1402, 1407, 1425, 1458, 1460, 1479, 1495, 1488, and 1491), en bloc, were agreed to.

(The amendments are printed in a previous edition of the RECORD.)

The amendments (Nos. 1376, as modified; 1403, as modified; 1404, as modified; 1418, as modified; 1443, as modified; 1465, as modified; 1474, as modified), en bloc, were agreed to.

The amendments (Nos. 1378, as modified; 1403, as modified; 1404, as modified; 1418, as modified; 1443, as modified; 1465, as modified; 1474, as modified), en bloc, were agreed to, as follows:

AMENDMENT NO. 1466 AS MODIFIED

(Purpose: To amend the Internal Revenue Code of 1986 to expand S corporation eligibility for banks, and for other purposes)

On page 225, after line 24, add the following:

SEC. 9. EXCLUSION OF INVESTMENT SECURITIES INCOME FROM PASSIVE INCOME TEST FOR BANK’S CORPORATIONS.

(a) In General.—Section 1361(d)(3)(C) (defining passive investment income) is amended by adding after subsection (C) the following:

“(V) Exception for banks; etc.—In the case of a bank (as defined in section 1361), a bank holding company (as defined in section 26A(a)(9)(B)(i)), or a qualified subchapter S subsidiary bank, the term ‘passive investment income’ shall not include—

“(I) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or such bank or subsidiary bank’s direct investment in any corporation which has as one of its shareholders, within the meaning of section 26A(a)(10)(C)(i), a financial institution (as defined in section 26A(a)(9)(B)(i)); or

“(II) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to support its banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.”

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 10. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) In General.—Section 1361 is amended by adding at the end the following:

“(f) Treatment of Qualifying Director Shares.—

“(1) In general.—For purposes of this subsection—

“(A) qualifying director shares shall not be treated as a second class of stock and

“(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

“Qualified Director Shares Defined.—For purposes of this subsection, the term ‘qualifying director shares’ means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

“(i) which are held by an individual solely by reason of status as a director of such bank or company or its controlled subsidiary; and

“(ii) which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder’s status as a director at the same price as the individual acquired such shares of stock;

“(2) Distributions.—A distribution (not in part or full payment in stock) made by the corporation with respect to qualifying director shares shall be includible as ordinary income of the holder and deductible by the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.”

(b) Conforming Amendments.—

(1) Section 1361(b)(1) is amended by inserting ‘‘, except as provided in subsection (f),’’ before ‘‘which does not’’.

(2) Section 1366(a) is amended by adding at the end the following:

“(3) Allocation with Respect to Qualified Director Shares.—The holders of qualifying director shares (as defined in section 1361(f)) shall not, with respect to such shares of stock, be allocated any of the items described in paragraph (1).”

(3) Section 1373(a) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “,” and”, and adding at the end the following:

“(3) no amount of an expense deductible under this subchapter by reason of section 1361(f)(3) shall be apportioned or allocated to such income.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999."
(a) In General.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

```
(1) IN GENERAL.—Section 23(a)(1) (relating to the tax imposed on estates and trusts) is amended by adding at the end thereof the following new paragraph:

```

In the case of the adoption of a child with special needs, the credit allowable under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.

(d) Definition of Eligible Child.—Section 23(d)(2) is amended to read as follows:

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(2) Eligible Child.—The term 'eligible child' means any individual who—

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(A) has not attained age 18, or

(B) is physically or mentally incapable of caring for himself.

(e) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

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SEC. 207. MODIFICATION OF TAX RATES FOR TRUSTS FOR INDIVIDUALS WHO ARE DISABLED.

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(a) In General.—Section 1(e) (relating to the trust imposed on estates and trusts) is amended as follows:

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(1) IN GENERAL.—Except as provided in paragraph (2), there is hereby imposed on the taxable income of—

```

(A) every estate, and

(B) every trust,

```

taxable under this subsection a tax determined in accordance with the following table:

```

If taxable income is: The tax is:
```

<table>
<thead>
<tr>
<th>Over $2,000 but not over $3,500</th>
<th>Over $3,500 but not over $5,000</th>
<th>Over $5,000 but not over $7,500</th>
<th>Over $7,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,405, plus 36% of the excess</td>
<td>$2,125, plus 39.6% of the excess</td>
<td>$3,460, plus 42% of the excess</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

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(b) Special Rule for Trusts for Disabled Individuals.—

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(A) In General.—In the case of an estate or trust described in section 207(e)(1), there is hereby imposed on the taxable income of—

```

(A) every estate, and

(B) every trust,

```

taxable under this subsection a tax determined in accordance with the following table:

```

If taxable income is: The tax is:
```

<table>
<thead>
<tr>
<th>Over $2,000 but not over $3,500</th>
<th>Over $3,500 but not over $5,000</th>
<th>Over $5,000 but not over $7,500</th>
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</tr>
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<td>$2,125, plus 39.6% of the excess</td>
<td>$3,460, plus 42% of the excess</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

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AMENDMENT NO. 1443 AS MODIFIED

(Purpose: To provide that the Secretary of the Treasury may exclude from gross income the value of services provided by the employer to adoptive parents of a child with special needs.)

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On page 371, between lines 16 and 17, insert the following:

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(c) Classification of Severance Payments. — For purposes of this section—

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(1) In General.—The term 'qualified severance payment' means any payment received by an individual if—

```

(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

(B) such separation was in connection with a reduction in the workforce of the employer, and

(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employment that is related to such payment.

```

(d) Limitation.—The amount to which the exclusion under subsection (a) applies shall not exceed $2,000 with respect to any separation from employment.

(e) Qualified Severance Payment.—For purposes of this section—

```

(1) In General.—The term 'qualified severance payment' means any payment received by an individual if—

```

(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

(B) such separation was in connection with a reduction in the workforce of the employer, and

(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employment that is related to such payment.

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SEC. 139. SEVERANCE PAYMENTS.

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(a) Special rule for trusts for disabled individuals.—

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If taxable income is: The tax is:
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<table>
<thead>
<tr>
<th>Over $2,000 but not over $3,500</th>
<th>Over $3,500 but not over $5,000</th>
<th>Over $5,000 but not over $7,500</th>
<th>Over $7,500</th>
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<td>$3,460, plus 42% of the excess</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

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(b) Special rule for trusts for disabled individuals.—

```

If taxable income is: The tax is:
```

<table>
<thead>
<tr>
<th>Over $2,000 but not over $3,500</th>
<th>Over $3,500 but not over $5,000</th>
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<td>$2,125, plus 39.6% of the excess</td>
<td>$3,460, plus 42% of the excess</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

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On page 388, strike line 5 and insert:

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(b) E F F E C T I V E D A T E.—The amendments made by this section shall apply to taxable years following December 31, 2000.

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AMENDMENT NO. 1465 AS MODIFIED

(Purpose: To index the State-ceiling on the low-income housing credit, and for other purposes)

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On page 288, strike line 5 and insert:

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(2) C L E R I C A L A M E N D M E N T.—The table of sections for part III of subsection B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new item:

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<table>
<thead>
<tr>
<th>Section 139. Severance payments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>139. Severance payments.</td>
</tr>
<tr>
<td>140. Cross references to other Acts.</td>
</tr>
</tbody>
</table>

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(c) Effective Date.—The amendments made by subsections (a) and (b) shall apply
Mr. ALLARD. Mr. President, this amendment would expand the small business provisions of this tax bill. I am pleased that several of the provisions have been accepted. We are making solid progress on this issue.

This is a bipartisan amendment, co-sponsored by Senators ROBB of Virginia and HAGEL of Nebraska.

I support tax relief for the American people, and I will support this tax bill. The surplus belongs to the American people, and I think a refund of one-third of the surplus is reasonable.

While I support the bill, I have been working to improve it before final passage.

In particular, we should expand the small business tax section of the code known as Subchapter S. Subchapter S of the Internal Revenue Code was enacted by Congress in 1958 and has been liberalized a number of times over the last two decades, significantly in 1982 and again in 1996.

This reflects a desire on the part of Congress to reduce taxes on small businesses. Subchapter S eliminates the double taxation of small business income.

Under Subchapter S the business is taxed at the shareholder level alone, it is not taxed at the corporate level. Subchapter S is available only to small businesses that have a small number of shareholders.

Congress made small banks eligible for S corporation status in the 1996 "Small Business Job Protection Act."

Since first becoming eligible, nearly 1,000 small banks have converted from regular corporations to small business corporations.

Unfortunately, many more would like to convert, but are prevented from doing so by a number of remaining obstacles in the tax law.

My amendment builds on and clarifies the Subchapter S provisions from 1996. It contains several provisions of particular benefit to community banks that may be contemplating a conversion to Subchapter S.

The amendment is based on S. 875, legislation that I introduced earlier this year with the cosponsorship of Senators GRAMM, BENNETT, SHELBY, ABRAHAM, HAGEL, ENZI, MACK, GRAMS, INHOFE, BROWNBACK, and THOMAS.

I have selected several provisions from the bill for this amendment and the Finance Committee has agreed to accept them. Let me review these provisions:

First, we exclude investment securities income from the passive income test for banks. Banks are unique, they are required to hold passive investments such as federal bonds and municipal bonds to comply with safety and soundness regulations.

This provision is only fair. If we require certain investments by regulation, we should not use this requirement to prohibit banks from becoming Subchapter S small businesses.

Second, we permit Subchapter S small business corporations to have bank director stock. Again, regulations require banks to have bank director stock.

We clarify that this does not punish banks. They can still become small business corporations.

In addition, I will be working with Chairman ROTH and his staff on several other provisions to consider for the future. These include one to permit Individual Retirement Accounts to be shareholders in an S corporation. This provision is a recognition of the importance of IRAs.

We have found that many community bank owners have their shares in an IRA. There is nothing wrong with this. We should let them be shareholders.

In addition, we hope in the future to permit S corporations to issue preferred stock. This would give all small businesses that are S corporations access to investor capital.

Let me conclude with a general statement on why we should enact these changes. Last year we enacted broad legislation to support credit unions. I supported this legislation.

We should now give small banks some tax relief. They are in a tough competitive position.

We are about to approve financial modernization in this Congress. I am a member of the Conference on this important legislation. I support the legislation.

But I think it is right to note that this legislation is of greatest appeal to larger financial institutions.

Again, our small community banks need help. This amendment will bring relief to help them compete and survive. This amendment give small banks tax relief.

This amendment is supported by the Independent Community Bankers of America, the American Bankers Association, the Independent Bankers of Colorado, the Colorado Bankers Association, the Independent Bankers Association of Texas, and others.

I am pleased that the Finance Committee has accepted the passive income and director stock provisions of the amendment.

In addition, Senator ROTH and his staff have agreed to work with us on the remaining provisions of the amendment and S. 875.

AMENDMENT NO. 1403

Mr. STEVENS. Mr. President, my amendment mirrors a bill I introduced on an earlier occasion-S. 1410.

This amendment would equate the tax treatment of persons flying what would otherwise be a nasy seats on private noncommercial aircraft with the treatment of airline employees flying on space available basis on regularly scheduled flights. Currently, use of these empty seats is deemed taxable personal income to the employee. I refer to it as the empty-seat tax. In contrast, under current law, airline employees, retirees and their parents and children can fly tax-free on scheduled commercial flights for nonbusiness reasons.

Military personnel and their families can hop military flights for nonbusiness reasons without the imposition of tax. Current and former employees of airborne freight or cargo haulers, together with their parents and children, can fly tax-free for nonbusiness reasons on seats that would have otherwise been empty.

Employers who own or lease these aircraft are compelled by IRS regulations to consider 13 separate factors or steps in determining the incidence and amount of tax to be imposed on their employees. My proposal is not to deal with this inequity by treating all passengers the same way, but includes a provision which retains a reasonable standard of proof at audit to prevent abuse.

This amendment would not allow an executive to use a company jet to fly with his family and friends on vacation. My amendment would require proof to be shown that the flight was made in the ordinary course of business, the flight would have been made whether or not the person was transported on the flight, and no substantial additional cost was incurred in providing the transportation for the passenger.

In addition to the facilitation of employee travel, this provision is an especially important issue to large States with smaller populations because air travel comprises such a large part of our transportation systems. Instead of driving hundreds of miles to see family, people from rural areas get on a plane to travel within their States. There are no roads from Barrow to Nome or Anchorage to Cold Bay. Additionally, in the event of illness, many people in rural States must take an empty seat on a company owned airplane and incur a tax penalty because they need medical treatment that can only be found in larger cities. My amendment includes a provision to allow passen-gers to be treated as employees if they live in remote areas that are not connected to a road system. For cases of medical emergency or other time sensitive situations, a passenger could as if they were an employee of the operator of the non-commercial aircraft without being taxes on the value of the seat.
forced to pay the tax simply because they do not work for or are not related to an employer, or airline, the military, a commercial or freight company, or because they live in remote areas without road access. Flights are often, at best, biweekly to some rural villages in my State and during the long periods when no flights are scheduled, transportation out of these remote areas in emergency situations requires chartering an aircraft.

We should keep in mind that we are currently debating a tax refund bill that seeks to level the playing field for the American taxpayers. The tax refund bill would remove the marriage penalty that discriminate against married couples. It addresses inequities in pension plans that discriminate against certain workers. Yet, the Tax Reform Act of 1986 did not address the discrimination against the users of empty seats who live or do business in rural areas.

It is my hope that we can address this basic issue of tax fairness and complexity by eliminating the empty seat tax.

**AMENDMENT NO. 1490**

Mr. STEVENS. Mr. President, the proposed Taxpayers Refund Act of 1999 includes a provision to create farm and ranch risk management (FARM) accounts to help farmers and ranchers through down times. The estimated cost for this provision is $887 million over the next ten years. The FARM accounts would be used to let farmers and ranchers set aside up to 20 percent of their income on a tax deferred basis. The money could be held for up to five years, then it would have to be withdrawn from the individual’s account. Once the money is withdrawn from the account, the farmers and ranchers would pay tax on the amount that was originally deferred. Any interest earned on the money in the account would be taxed in the year that it was earned.

This approach to encouraging farmers and ranchers to set some money aside for downturns in the market makes sense. However, this provision should be expanded to include fishermen—I have an amendment that would do just that. The Joint Committee on Taxation estimates the cost for fishermen would be $2 million over the next ten years. According to the Joint Committee on Taxation, my amendment for fishermen would cost $5 million over the next ten years. This is a small amount to ensure that fishermen receive the same benefits as farmers under our current tax structure.

Fishermen face the same type of economic ups and downs that farmers and ranchers face. Because of this, they shouldn’t be excluded from income averaging or coordination of the alternative minimum tax (AMT). This would ensure that a farmer’s AMT is not increased solely because he or she elects income averaging. Under section 604 of the Finance Committee’s bill, a farmer electing to average his or her farm income would owe AMT only to the extent he or she would have owned alternative minimum tax (AMT). This would ensure that a farmer’s AMT is not increased solely because he or she elects income averaging.

Under section 604 of the Finance Committee’s bill, a farmer electing to average his or her farm income would owe AMT only to the extent he or she would have owned alternative minimum tax (AMT). This would ensure that a farmer’s AMT is not increased solely because he or she elects income averaging. Under section 604 of the Finance Committee’s bill, a farmer electing to average his or her farm income would owe AMT only to the extent he or she would have owned alternative minimum tax (AMT). This would ensure that a farmer’s AMT is not increased solely because he or she elects income averaging.

**AMENDMENT NO. 1488, AS MODIFIED**

Mr. BENNETT. Mr. President, I ask unanimous consent that amendment No. 1485, which was previously adopted, be modified with the changes that are at the desk.

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

The amendment (No. 1485), as modified, is as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. ___. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.—

(a) In general.—Section 145 (defining qualified 501(c)(3) bond) by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

(e) Bonds Issued To Acquire Renewable Resources On Land Subject To Conservation Easement.—

(1) In General.—If—

(A) The proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unaffiliated person, and

(B) the land is subject to a conservation restriction—

(i) which is granted in perpetuity to an unaffiliated person that—

(I) a 501(c)(3) organization, or

(ii) which meets the requirements of clauses (ii) and (ii)(I) of section 170(h)(4)(A),

(ii) which exceeds the requirements of relevant environmental and land use statutes and regulations,

(2) Treatment of timber, etc.—

(A) In General.—For purposes of subsection (a), the cost of any renewable resource acquired with proceeds of any bond described in paragraph (1) shall be treated as a cost of acquiring the land associated with the renewable resource and such land shall not be treated as used for a private business use because of the sale or leasing of the renewable resource to, or other use of the renewable resource by, an unaffiliated person to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

(B) Application of bond maturity limitation.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life commensurate with the economic and ecological feasibility of the financing of such land or renewable resource.

(C) Unaffiliated person.—For purposes of this subsection, the term ‘unaffiliated person’ means any person who controls not more than 20 percent of the governing body of another person.”
The bottom line is this, Mr. President, that Chairman Greenspan has rejected tax relief for the American people. But this is simply not so, Mr. President. Any reasonable examination of the record would show Chairman Greenspan's true views on the matter, namely that he would delay tax cuts "unless, as I've indicated many times, it appears that the surplus is going to become a lightening rod for yet more increases in outlays. That's the worst of all possible worlds, from a fiscal policy point of view, and that, under all conditions, should be avoided."

Chairman Greenspan was not saying "I oppose tax cuts." Rather, he was saying, quite reasonably in my view, that tax cuts must not come at the expense of fiscal and monetary stability. I agree with Chairman Greenspan that tax cuts cannot be our first priority. Our first priority must be to protect Social Security and address the national debt. Which is exactly what this substitute does by setting aside more than half of our projected surpluses for those purposes.

At the same time, we cannot allow these surpluses to become "lightning rods" for yet more increases in the size and scope of government, and in the tax burden on American people. And that is precisely what the President's plan would do; it would spend the surplus, including the Social Security surplus, on further government programs, leaving nothing for the American people.

That is simply wrong. And I was pleased to learn that Chairman Greenspan agrees. In his testimony he said "I have great sympathy for those who wish to cut taxes now to pre-empt that (spending) process, and indeed, if it turns out that they are right, then I would say moving on the tax front makes a good deal of sense to me."

It makes a great deal of sense, Mr. President, for us to set aside the bulk of the surplus for Social Security and debt relief, then to return the rest to the American people. It makes a great deal of sense for us, after reserving over $2 trillion for these essential functions, to return $300 billion to the American people as a refund of their tax overpayment.

I believe we are doing the right thing by giving 25 cents back to the American people for every surplus dollar. I believe the plan crafted by those on the other side of the aisle is wrong to give back only 10 cents on each surplus dollar.

Let me briefly outline the provisions of this substitute, crafted as I said by majority leader Lott. It includes:

- Broad-based rate cuts, expanding the 15% tax bracket upwards by $10,000.
- Family tax relief, including an end to the marriage penalty and provisions for child care and foster care.
- An end to the estate or death tax.
- Incentives for savings and investments, including exclusions for interest and dividend income and a cut in individual capital gains rates to 15% and 7.5%.
- Retirement savings incentives through an increase in the IRA control limit to $5,000.
- Education incentives, including education savings accounts, student loan interest deductions and prepaid tuition plans for public and private schools.
- Provisions making health care more affordable, including exclusions for health insurance expenses, long-term care provisions, Medical Savings Accounts, and an additional caretaker dependency deduction.
- Small business tax relief, including immediate 100% deductibility of health insurance for the self-employed and in increase in small business expensing to $30,000.
- Risk management accounts for farmers and ranchers.
- Permanent extension of the Research and Development tax credit, and an extension of the work opportunity credit and welfare to work credit.

I would like to focus on the provisions in this substitute that I believe differentiate it from the Finance Committee legislation; provisions that in my view provide even more pro-family and pro-growth tax relief where it is most needed.

First is family tax relief. Families today pay a higher proportion of their incomes in taxes than ever before in our history—31.7 percent. They pay more in income taxes than at any time since World War II. They spend more on taxes than on food, clothing and shelter combined. And this tax burden leaves families with less money to spend on necessities, and less to save for their retirement and for their children's education.

Families deserve tax relief, particularly at a time when they are overpaying the tune of over a trillion dollars.

This substitute will give families the substantive tax break they need and deserve.

First, it includes broad-based tax relief by increasing the amount of income a family can earn while remaining in the 15% income tax bracket by $10,000. The figure for single taxpayers...
will increase by $5,000. In this way, Mr. President, we will return 7 million taxpayers to the lower, 15% tax bracket, and 30 million taxpayers will receive a tax cut.

Under this proposal, even a single filer would save $550 on his or her taxes.

In addition, this substitute ends the marriage penalty and provides relief for child and foster care services.

Taken together, these provisions will directly reduce the tax rate imposed on American families and increase incentives for work and economic growth.

Second, this substitute will provide tax relief to literally millions of working Americans struggling to build a nest egg for the future. By cutting taxes on interest, dividends and capital gains.

This latest era of economic growth has been unique, Mr. President, in that it has seen savings rates fall into negative numbers—indicating an increase in consumer borrowing in excess of savings. We cannot sustain economic growth and job creation unless Americans save and invest for the future.

That is why this substitute will address the needs of America’s growing “investor class.” These working Americans—125 million and counting—are the real owners of the means of production in America.

Surveys conducted by a number of sources agree that, through pension plans, IRAs and other investment vehicles, roughly 50% of Americans—half our nation—owns stocks. They out-number any of the special interest groups you would care to name. Yet they want no special favors, just the opportunity to save and invest. And, with $4.5 trillion invested in mutual funds alone, America’s investor class has become the bedrock of our economy.

It is time to put to rest once and for all the old class warfare slogan that only the rich pay capital gains taxes. Is half of America “rich”? Do half our people earn so much money that they do not deserve a tax relief?

I think not. Indeed, 49% of the investor class if female, 38% are non-professional salaried workers. Wall Street and Main Street are no longer separated by a vast socioeconomic divide. It is high time we recognized this fact, and helped new, middle class investors succeed in their drive to invest for the future.

This substitute would do precisely that, Mr. President. It would make the first $500 of interest and/or dividend income tax-free for families, with the first $250 of this income becoming tax-free for individuals. It also would increase the IRA contribution limit to $5,000 per year, allowing Americans to save even more for retirement.

Finally, it would cut capital gains tax rates, reducing the current 20 and 10% tax brackets to 15 and 7.5%, respectively.

Of course, not all of nation’s economic growth comes from stock investment. Many entrepreneurs in this on the frontier or in more settled urban areas, family businesses have delivered the goods for generations. Yet the federal government sets up almost insurmountable obstacles to family businesses.

The death tax makes it impossible for many entrepreneurs to pass the business on to their children. Too often today, children must sell the family business just to pay taxes. And the result is often a sell-off of assets to large corporations, destroying jobs and investment opportunities.

I realize that some people favor the death tax as a means of punishing people who have amassed great quantities of wealth. But the IRS’ own records show that fully 80% of all taxable estates are worth less than $1 million.

$1 million still sounds like a lot of money, Mr. President. But consider this: according to the Associated General Contractors of America, any contractor who purchases the three pieces of equipment essential to this trade, an off-highway dump truck, bulldozer and front-end loader, will have already amassed assets valued at over $1 million.

And relatively new businesses, such as those begun by black Americans until recent years deprived of the chance to compete, are especially vulnerable to the death tax. A Kennesaw State College survey found that close to a third of African American-owned businesses would have to be sold by their inheriting heirs to pay taxes. The death tax destroys family businesses. It destroys wealth, and it destroys jobs. It is time to end it.

But entrepreneurs need more help from us. Current tax laws, by subsidizing employer-purchased health plans, penalize small business owners. They make it more difficult for them to afford their own health insurance and to attract and keep good employees without spending themselves into bankruptcy.

The substitute framed by Leader Lott would address these barriers to family-owned business survival by accelerating the 100% deductibility of self-employed health insurance.

The provisions I have outlined aim to bring substantive tax relief to the mainstream of the American economy. This is crucial to the economic well-being of our nation.

But we must do more. We also must bring greater economic opportunity to disadvantaged urban and rural areas throughout the United States. If we are to remain prosperous over the long term, we must bring more Americans into the vast mainstream of our economy by empowering them to take control of their economic lives. That is why this substitute extends the critical work opportunity credit and welfare-to-work credits through 2004.

Finally, we must continue to encourage the research and development so crucial to maintaining our competitive edge in global markets, particularly in this era of high-tech development.

That is why this substitute provides for the permanent extension of the R&D tax credit.

All told, the provisions making up this substitute will provide $800 billion in tax relief for the American people. This substitute will encourage work, savings and investment, it will help working families, it will help distressed urban and rural areas, and it will provide $2.2 trillion for Social Security, Medicare, and debt reduction.

It is my hope that the conference committee on the tax bill will produce an agreement that mirrors the Leader’s substitute tax plan.

I believe we must look to this era of budget surpluses with confidence. Confidence in ourselves and confidence in the American people. This is no time for business as usual. Rather, we are faced with one-in-a-lifetime opportunity to free Americans from the burden of stifling overtaxation, freeing their energies and their intellects even as we provide a solid grounding of Social Security and Medicare for generations to come.

There are voices of doom abroad in the land, Mr. President. But these voices are as wrong today as they have always been. They would have us put all of our faith and confidence in an ever-grown, ever-expanding federal government, with its ever-increasing, ever-worsening death tax as a means of punishing people who have amassed great quantities of wealth. Yes, to their dreams of financial security, yes to their desire to pass the family business on to their children, yes to their cries for help relieving the highest tax burden since World War II.

It is time to provide the kind of broad-based tax relief in this substitute so that the American economy and the American spirit may grow and prosper. This act of hope will protect our seniors, pay down our debt and constitute an investment in our future that will pay dividends for decades to come.

Mr. REED. Mr. President, I am proud to join Senator ROCKEFELLER in proposing a prudent, fiscally responsible tax policy.

Like many, we are skeptical with the underlying assumption that there will be nearly a trillion dollar surplus. Indeed, the numbers show that much of
the surplus is generated under the assumption that Congress will significantly slash investments in education, veterans' and defense below the level needed to keep pace with inflation. Such cuts in key investments are not what the American people want. Moreover, the current majority has already exceeded last year's spending limit by $35 billion in the first 10 months of this fiscal year.

The real surplus from our current economic growth is closer to $112 billion when one eliminates the unrealistic, rosy scenarios painted by the Republican's $300 billion tax bill.

Mr. President, our great economic growth has presented us with an opportunity to do many things. Sensible, modest, and targeted tax cuts for working families is part of that mix along with tax cuts for investments and Medicare reform.

In that spirit of balancing priorities, I supported the proposal of Sen. Moynihan to provide $290 billion in targeted tax relief, while extending the life of Medicare and preserving funding for our most pressing domestic needs. That proposal was realistic and based on sound footings.

But, we should not enact an $800 billion tax cut based on mere projections; which slashes domestic investments; and which does nothing to preserve Medicare.

Our $112 billion tax cut proposal is tied to a realistic review of the actual unencumbered surplus. This is the judgement of many outside experts including former Congressional Budget Office Director Robert Reischauer. Using this figure we can still provide marriage penalty relief, education tax credits, preserve Medicare, and meet the expectations of America's families. That is why Senators Rockefeller and Leahy, and I have put forth this proposal.

Mr. President, my hope is that our colleagues on the side of the aisle will take a moment to review the real surplus numbers and join us in our effort.

Mr. Edwards. Mr. President, I rise today to oppose S. 1429. Passing this bill is like going on a spending spree just because a sweepskeps company tells you: you might be a winner.

I support the surplus for all the right reasons. The question for me is, when? I am a fiscal conservative and am happy to vote for tax cuts. Any tax cut, however, needs to be done in a fiscally-responsible manner. This is common sense.

But we need to look at the big picture, and we can’t engage in wishful thinking. So when we talk about cutting taxes we must do it in the same bread as paying down the national debt and dealing with Social Security and Medicare.

We should cut government spending. Working Americans pay taxes to the federal government, and that money buys a lot of great things. But we have a responsibility and obligation to only spend what is absolutely necessary, and I am afraid that we haven’t done a very good job of that. The federal government is too big and spends too much, and we need to do something about it.

We should pay down the public debt. If we reduce our public debt, we reduce the money the federal government owes to foreign investors and other bondholders. If we reduce our public debt—a debt that has accumulated because of out-of-control government spending in years past—it will lower interest rates, increase investment in America's economy, and help ensure our economy's continued growth and success. That has real benefits for average Americans; lower mortgage interest rates and a booming economy.

This isn’t inside-the-Beltway stuff. This is important to North Carolinians and all other Americans. And I think of all of them can relate to why it is unwise to cut taxes before we are certain there is a surplus and before we are on the road to securing the future of Social Security and Medicare.

Look into your crystal ball. How much will you be earning in the year 2008? Will your 10-year-old be going to Duke or UNC, and what will be the tuition? What are you going to pay for health insurance during the next 10 years? And how much can you put away for retirement?

I think the projections are important to North Carolinians and all other Americans. I have been thinking about how a family might try to answer these questions, and two things come to mind.

First, answers are extremely difficult to find with any degree of certainty. Unforeseen expenses can arise. And other factors—career changes, interest rates, or family size—may also affect the answers. It seems to me very likely, given these factors, that a family would be very cautious about their financial planning.

Second, if that family had to make a decision now about which one of those items they would forego if they needed extra money to cover unforeseen expenses, which one would it be?

If making these projections for a family is difficult, what can be said about the difficulty of predicting the federal government's budget 10 years? I'll tell you what I think about it. I think it is extremely difficult. And I am not alone.

I had an exchange the day before yesterday with Federal Reserve Board Chairman Alan Greenspan during a Senate hearing. I talked to him about my earlier comments about the surplus, the proposed tax cuts and about the problems the federal government has showing restraint.

Mr. Greenspan noted that these projections are rarely accurate. His advice, then, is very simple and practical: wait. “Several years,” he said. “In other words, one year, two years.”

Chairman Greenspan said he favors paying down the public debt—not using any surplus for increasing government spending.

It is hard to wait. This has been a real struggle. I break with the President, with my party and with the Republican party. But I do so because first and foremost we should not imperil our unprecedented economic prosperity by moving too quickly. To put it simply: look before you leap. A huge tax cut today is like entering the biggest watermelon contest the day after an especially good-looking vine sprouts up.

I, myself, just don’t have that much confidence that we have a surplus at all or that the economic assumptions underlying the surplus forecasts are reliable. It feels like smoke and mirrors—hocus pocus. And when people raise numbers like $1 trillion, it’s hard not to get swept away. If we step back and take a look at the facts, we get a more frightening picture. If government spending is 1 percent higher than projected and revenues are 1 percent lower than projected, then the so-called $1 trillion surplus would be off by $170 billion annually.

When it comes to government spending, the truth is Congress has not been able to live within its budgets. Federal spending should be cut, but let’s not be naive: Congress has bad spending habits.

Current projections are based on assumptions about our spending habits that everyone admits have been impossible to live with. This is a fact. I want to remind everyone that this body passed a $12 billion “emergency” spending package—raising the Social Security Trust Fund—earlier this year. I voted against that package because next year, if it isn’t stopped, no honest person would consider an “emergency.” We’ve also been pouring money into defense spending—something I support—but it’s not within the budget. That’s why we tried to set for the government. We can’t stick to our limits now, and yet we are talking about a tax cut based on the assumption that we are going to spend less. This just doesn’t make sense to me.

Having noted that we never stay within the spending caps, let me say that we should not give up on them. They are important. And, despite our history of breaking them, they have acted to keep our spending lower than it would have been otherwise. This is important because it makes sure that the federal government doesn’t just spend money because taxpayers send it to us. We need to constantly look for ways to cut unnecessary spending and pressure the federal government to operate more efficiently.

Even as we propose to dramatically cut taxes based on the fantasy that we
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Repeal of the temporary unemployment surtax will also be beneficial to American business.

The surtax is especially hard on the small businesses because they are often labor intensive.

Any payroll tax is added directly to the employer’s payroll costs.

In fact, according to the National Federation of Independent Business, payroll taxes are the fastest growing federal tax burden on small business.

It also is important to note that the payroll taxes must be paid whether the business experiences a profit or a loss. As a former small businessman myself, I am particularly aware of this fact.

I suspect that my view is similar to the view of many other small business owners.

It is one thing to have a surtax when unemployment is high and the surtax is necessary.

However, it is totally unjustified when unemployment is at the lowest level in three decades.

Repeal of the 0.2 percent surtax will reduce the tax burden on employers and workers by $6 billion over the next five years.

Lower payroll taxes mean higher wages for workers.

Although the employer appears to fully pay the unemployment surtax and other payroll taxes, the economic evidence is strong that the cost is actually passed along to workers in the form of lower wages.

Consistent tax relief will help to ensure that our economy remains the strongest and most vibrant in the world.

Low taxes reduce unemployment and help ensure that future surtaxes are unnecessary.

The time has come to do away with this outdated and unnecessary surtax.

Again, I commend the Finance Committee for their provision to repeal the FUTA surtax, and I urge my colleagues to support efforts to accelerate the effective date so that repeal is immediate.

Mr. REED. Mr. President, we are at a historic juncture. In the 1980’s, we faced massive deficits and growing debts. In sum, Congress debated red ink.

On the edge of the millennium, we are debating the question of what to do with about $1 trillion in anticipated budget surpluses.

Why are we having this debate? In part because of the tough choice we made in the past: a choice to use fiscal discipline.

We started down the road of deficit reduction with the 1993 budget package, which passed without a single Republican vote. In fact, some members on the other side of the aisle claimed the bill would lead to economic collapse. However, because of the courageous stand we took then, we have gone from a $290 billion deficit
in 1992 to an estimated $70 billion surplus in 1999.

But we did more than reduce the deficit and restore fiscal discipline, we spurred tremendous economic growth and unprecedented economic expansion. For the sake of perspective, I would like to list the following facts: we have seen 3.5% annual growth since 1993; 18.9 million new jobs; 4.3% unemployment; and, the median family income grow by more than $3,500 since 1993. This is good news, and we cannot afford to squander it.

The days of red ink as far as the eye can see are gone. Instead, based on various budget projections, we can suppose that there will be a total surplus of approximately $3 trillion over the next ten years. More than $2 trillion of that total comes from Social Security payroll tax rollbacks, but absolutely 100% of the rest is to preserve Social Security for current and future beneficiaries. Social Security is a promise to those Americans who worked and fought to make this nation great, and it is a program that must be preserved.

The Office of Management and Budget and the Congressional Budget Office both project that the remaining non-Social Security surplus totals roughly $985 billion. But these are merely projections, dependent upon the performance and vagaries of the economy. And, I would caution that the Office and Management and Budget and the Congressional Budget Office have a history of predictions that fall far short of the mark. Indeed, Mr. President, because of changes in the economy between April and July of 1999, the Congressional Budget Office revised its ten year projections, adding $300 billion to the surplus. Imagine—a swing of $300 billion in three months.

But how are we generating the surplus, or more accurately, why is the Congressional Budget Office predicting a budget surplus?

Quite simply, the vast bulk of the non-Social Security surplus is $600 billion of it, comes from the continuation of arbitrary spending caps established in the 1997 Balanced Budget Act. When we passed that legislation, we still had a deficit, but many of us realized then that if these budget caps were maintained beyond the period they were required to balance the budget, they would prevent us from meeting our long-term obligations for education, health care, and the environment.

The American people cannot afford, as my colleagues on the other side of the aisle have asked of them, to retain these caps for the next 10 years. We cannot afford $600 billion in cuts to Pell Grants, Head Start, the Special Supplemental Nutrition Program for Women Infants and Children, Brownfield cleanup, Community Policing, Veterans benefits, and the National Institutes of Health, to name a few essential initiatives. Let me emphasize that the $600 billion figure is not an arbitrary, melodramatic investment. Rather, that figure represents the resources we need to maintain current levels of funding. Make no mistake, these are cuts, not "reductions in the rate of growth", but real cuts.

Moreover, if we adopt the Republican $800 billion tax cut plan and if we fund the President’s plan to meet the military’s personnel and equipment needs, as the Republican leadership has said it will do, non-defense domestic spending will be cut by a whopping 33% in 2000. Under this scenario, 375,000 children will not get Head Start services, 1.4 million veterans will lose medical care, and 6.5 million poor students will lose Title I education aid. Simply put, the $800 billion tax cut before us today crowds out every priority we know must be met in the future.

Mr. President, the most serious shortfall of the Republican tax bill is that it preserves the entire surplus through massive borrowing to shore up Medicare. By using all of the projected surplus for tax cuts, we leave ourselves severely restricted in the options we will have in the future.

Actuarial reports from the Medicare Trustees project that, under current economic conditions, we will have to contend with the inevitable fact that the Medicare program will be insolvent by 2015. Regrettably, by allocating the entire federal surplus for tax cuts, we will be forced to make radical changes to the program, either in the form of dramatic benefit reductions, large increases in premiums, or tax increases.

In addition, the Republican tax cut plan completely ignores the impending burdens of a retiring baby boom generation. The truth is that by 2030, there will be about 70 million Americans 65 years or older, more than twice their number in 1999. In terms of the total population, seniors will grow from 13% to 20% between 1999 and 2030.

In spite of these imminent demographic challenges, the Republican tax cut bill is structured in a way that tax breaks would explode during their second ten years. As the baby boom generation retirements occur, the cost of the tax cuts would explode to $2 trillion.

Prudence dictates that we should take the opportunity the surplus presents to make meaningful changes to the Medicare program. I believe that we should be looking at the possibility of adding a prescription drug benefit as well as additional preventive benefits to the basic package of health care benefits. For elderly Rhode Islanders the cost of prescription drugs is a major concern and a major expense. Unfortunately, Medicare does not cover this expense nor does the COLA for Social Security accurately represent the medical expenditures of today’s seniors.

While consideration of these matters should be made in the context of overall structural reform, we must ensure that they are not the result of the many years of fiscal austerity that have brought us to this important juncture. Their unrealistic and dangerous proposal sacrifices the future for short-term gratification.

Mr. President, these are good times in our nation. More Americans are employed. More Americans own a home. Crime is down. Productivity is up, and inflation is low.

Working families in Rhode Island expect us to be responsible and prepare for the future. They want us to preserve Medicare, but the Republicans want "no"! They say "no" to Medicare for the future. They want us to invest in education, but the Republicans say "no". They want us to care for our veterans, but the Republicans say "no". They want us to address the shameful fact that 1 out of every 5 children in America lives in poverty, but the Republicans say "no".

Mr. President, saying "no" to the needs of the American people is not an acceptable legacy for this Congress. On the edge of the Millennium, we should not put politics ahead of what is fair and reasonable. Let’s build for the future.

Ms. COLLINS. Mr. President, yesterday I offered an amendment to the Taxpayer Refund Act of 1999. My good friend Senator COVERDELL and I crafted this amendment to help our public school teachers pursue professional development and pay for incidental supplies for the students they serve.

Our amendment will allow teachers to deduct their professional development expenses without subjecting the deduction to the existing two percent floor. It will also allow teachers to deduct up to $125 for books, supplies, and equipment related to their teaching.

Mr. President, while our amendment provides financial relief for teachers, its ultimate beneficiaries will be their students. Other than involved parents, a well-qualified teacher is the most important prerequisite for student success. Educational researchers have documented the close relationship between qualified teachers and successful students. Moreover, teachers themselves understand how important professional development is to maintaining and extending their levels of competence. When I meet with teachers from Maine, they repeatedly tell me of their need for more professional development and the scarcity of financial support for this worthy pursuit.
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The willingness of Maine’s teachers to fund their own professional development activities has impressed me deeply. For example, a teacher who serves on my Educational Policy Advisory Committee told me of spending her own money to attend a curriculum conference. She is typical of many teachers who generously reach into their own pockets to pay for professional development and to purchase materials that enhance their teaching.

Let me explain how our amendment works in terms of real dollars. The average yearly salary of a teacher in 1997 was about $38,500. Under current law, a teacher making this salary could not deduct the first $770 in professional development and incidental instruction-related expenses that he or she paid for out of pocket. Our amendment would see to it that teachers receive tax relief for all such expenses.

I greatly admire the many teachers who have voluntarily financed the additional education that they need to improve their skills and to serve their students better and who purchase books, supplies, equipment and other materials that enhance their teaching. I hope that this change in our tax code will encourage teachers to continue to take formal course work in the subject matter that they teach, to complete graduate degrees in either their subject matter or in education, and to attend conferences to give them new ideas for presenting course work in a challenging manner. This amendment will reimburse teachers for a small part of what they invest in our children’s future.

Mr. President, this would be money well spent. Investing in education is the surest way for us to build one of the most important assets for our country’s future: a well-educated population. We need to ensure that our public schools have the best teachers possible in order to bring out the best in our students. Adopting this amendment will help us to accomplish this goal. I thank my colleagues in joining Senator COVERDELL and me in support of this effort.

Mr. CRAIG. Mr. President, I rise in support of S. 1429, the Taxpayer Refund Act of 1999.

This rate has been about numbers and surpluses and budget rules. To some extent, it has to be. But our efforts to provide tax relief are also about something more important:

People.

The kind of relief that both the Senate and House tax bills would provide is a matter of providing real help to real people who have real needs.

This tax relief is about returning some modest amount of liberty, some small measure of power, to the people. This is the most heavily taxed generation of Americans in history. Providing some degree of tax relief will return to individuals and families more power over their own lives, more ability to meet their pressing needs, and more of an opportunity to pursue their dreams.

I would like to talk about the specifics of this amendment and House bill. I think we can come up with a very good conference report based on these two bills—a conference report that preserves the best of both bills, and helps improve the lives of all Americans.

We are talking about a tax bill that removes some fundamental unfairness from the current system.

For example, it just isn’t fair that two individuals should be forced to pay hundreds of dollars more in taxes simply because they get married. That’s why the Senate bill ends the marriage penalty for two earners. I think we should go farther, which is why I’ve supported the Gramm amendment and the Hutchison amendment and hope we can do more in conference.

Mr. President, it just isn’t fair that working families sometimes have to pay for a family farm or a family business just to pay taxes. I’ve seen family farms carved up because of the death tax. The other side would have us believe that this is a debate about the so-called “estates” or rich people. It’s not.

Death tax relief is a question of saving the family farm; maintaining the family business; and allowing people the fundamental freedom to dispose of their own savings as they see fit. The death tax imposes a double tax, because it confiscates property and savings built up from income left over after it’s already been taxed one, two, or three times before.

But we know where the other side and the Administration are coming from. In fact, this Administration’s former Secretary of Labor, in one of his books, called it a “loophole” for the tax code to actually tax what they put back along some of their savings and possessions to their children.

I support the relief from the death tax in this bill and wish we could do more. That’s why I’ve supported the Kyl amendment.

This tax relief bill is good for children. It would allow more parents to afford child care, both because it increases and expands the child care tax credit, also called the Dependent Care Credit, and because it allows more modest- and middle-income families to make full use of the child tax credit we enacted in the 1997 Tax Relief Act. It would also expand the tax exclusion for employer-provided child care.

This bill will help make education more affordable and available to individuals and families. It includes tax-free, qualified tuition plans; extends the employer-provided tuition assistance; and makes our 1997 education tax credits more fully available to modest- and middle-income families, by taking it out of the Alternative Minimum Tax calculations.

We should be doing even more to help families meet their educational needs and opportunities. That’s why I’ve supported the Coverdell-Torricelli amendment to expand and improve Educational Savings Accounts.

The Coverdell-Torricelli amendment would give parents greater choice in how best to educate their children. The amendment has parental choice. Who knows best—parents or a distant government bureau in Washington, DC? In recent years, the focus has been entirely too much on growing the government and inventing federal programs. But much of that national government is far removed from the year-to-year and day-to-day decisions that parents must make, and work on with teachers and school boards, about their children’s education.

This amendment would shift power and resources back to the most local level: to Mom and Dad. The Coverdell amendment would allow more flexibility—and the use of more of their own money—as they face decisions about paying for things like tutoring, home computers, private or religious schools, higher education, and vocational education. The amendment focuses especially on those who find it hard to pay for educational expenses now. In talking about public schools, supplies and activity fees are a burden on parents today. The Coverdell amendment would help families deal with those costs.

Mr. President, a few months ago, we passed the Ed-Flex bill. This law gives the state educational agency and the local educational agency the flexibility in how they spend those federal dollars. Now, Mr. President, it is time to give parents similar flexibility in how they help provide for their children’s education.

I hope we can do more to help families with their children’s educational needs when this bill goes to conference. I hope we can include provisions that come much closer to the Coverdell-Torricelli amendment.

Besides helping families with the care and education of their children early in life, this bill will also help provide care in the twilight of life, through an additional deduction for providing in-home care for an elderly family member.

This bill takes a significant step forward in making health care coverage more affordable and available for millions of Americans. Small businesses and farm families, especially, will be helped by the accelerated, full deductibility of health care premiums, as will other workers not covered by an employer-provided plan. More Americans would be able to plan for long-term care, a critical area of growing need, because of an above-the-line deduction for individuals and inclusion in cafeteria plans at work.

I hope we can accomplish that. I hope we can do more than that. We should be doing even more to help families meet their educational needs and opportunities. That’s why I’ve supported the Coverdell-Torricelli amendment to expand and improve Educational Savings Accounts. The Coverdell-Torricelli amendment would give parents greater choice in how best to educate their children. The amendment has parental choice. Who knows best—parents or a distant government bureau in Washington, DC? In recent years, the focus has been entirely too much on growing the government and inventing federal programs. But much of that national government is far removed from the year-to-year and day-to-day decisions that parents must make, and work on with teachers and school boards, about their children’s education.

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America's farm families are in a period of economic crisis today. That crisis should be, and will be, addressed in a major package a number of us are working on. But additional, much-needed help is provided in this bill, as well.

Besides self-employed health insurance and death tax relief, this bill would provide for increased expensing, starting next year, to $30,000; create the new FARRM Accounts—Farm and Ranch Risk Management Accounts—that Senators Grassley, Burns, I, and others have been working on; protect income averaging from the Alternative Minimum Tax; increase credits for reforestation; and allow farmer co-ops more dividend flexibility.

Like farmers, small business, the over-taxed engines of job-creation, innovators, those who have spent their entire lives in the most heavily-taxed generation, are becoming increasingly anxious about their prospects for retirement security. Why is no mystery: Since the baby boomers were children, they have seen the average family's tax burden, at all levels, increase by more than 50 percent, as a share of income. When the government takes 50 percent more from you than it did from your parents, how do you save and invest for your own retirement?

All taxpayers, of all incomes and all ages, stand to benefit from expanding the use of Individual Retirement Accounts. In the past, IRAs were a simple, universally-understood, readily-accessible to save for retirement. One of the worst things in the 1986 tax bill was the confusing limitations placed on IRAs that, in fact, have discouraged many modest- and middle-income workers from using them. Farmers and small business owners and their employees, especially, have an important stake in more accessible IRAs, because they have no other large, employer-provided pension plan to participate in.

Mr. President, the tax relief bills moving through Congress will help all people. The real debate is over two competing visions of how the government can help people. Those of us who support tax relief say, we help people when we give them back the power and freedom to control their own destinies. The other side says, they think it would help people if the government made decisions for them, and dispensed dependency through an expensive bureaucracy.

You can confiscate more and more money from workers, savers, and families. That, in fact, has been and is the trend. Then the government can spend that money, grow the bureaucracy, write more rules, make citizens feel more like supplicants, and, in the end, hand someone another small government check. Or we can let workers, savers, entrepreneurs, and families keep a little more of their fruits of their own labors, and let them apply that directly to taking care of their parents, their health care needs, and their education.

We can, as this bill does by extending the Work Opportunity Tax Credit, tell employers they can keep a little more of what they earn, if they also provide jobs for disadvantaged, hard-to-place workers.

Today, 70 percent of taxpayers receive no recognition of charitable giving—because they don't itemize their deductions. We can, in this bill, reward and encourage those middle-class taxpayers who benefit their community, help the less fortunate, and promote the social good, by letting them keep a little more of their hard-earned income, with an above-the-line deduction for charitable donations.

We are talking about a modest and reasonable package of tax relief. Both Houses are calling for a tax cut of only 3.5 percent over the next 10 years, or less than one-fourth of the total amount taxpayers have been overcharged by their government.

We are proposing a modest amount of tax relief that leaves plenty of room to safeguard Social Security completely. In fact, with the budget we passed earlier this year, for the first time in history, Congress has committed itself to reserving all of the Social Security revenues, exclusively for future Social Security benefits.

Our tax relief is based upon huge over-collections of taxes from American workers and taxpayers. In other words, our projections of budget surpluses—surpluses projected both by the nonpartisan Congressional Budget Office and the President's own Office of Management and Budget. It is interesting that the same critics who criticize the idea of basing tax relief on projections then make up their own, speculative projections about the cuts in future spending programs they claim would result from this tax relief.

In point of fact, we all agree that Medicare, Veterans programs, education, and other priorities must be maintained and improved in the future. The budget we passed earlier this year provides for that, and this tax relief package doesn't infringe on them.

I remember how, just a few years ago, some in Congress, the White House, and special interest groups made dire predictions of how spending on all kinds of essential programs would have to be slashed to balance the budget.

Since then, a new Congress came to town in 1995, committed to balancing the budget and reining in the growth of government.

We've still had increases in spending, but they've been more moderate. We do have some high priority programs to re-evaluate. Some increases are needed. In other places, we need more restraint, and even some cuts.

But a balanced budget and a significant surplus have expanded—along with an economy that is strong because the people who work, save, invest, and create jobs took us seriously when we said we would balance the budget and limit the growth of spending.

Now, Congress has taken the first critical steps needed to save and preserve Social Security for the current generation of seniors and those who expect to retire soon. We all agree the next step is to modernize it for future generations. Our budget, and this tax relief, is perfectly consistent with that commitment.

Most of us agree with the majority of the bipartisan Medicare Commission that we need to shore up that program as well. That will involve expanding or improving some of what Medicare now provides, as well as expanding consumer choice, increasing market discipline, curbing waste and abuse, and finding savings. Unfortunately, the necessary super-majority of the commission didn't allow it to turn its majority views into what it could call its "official" recommendations. But we in Congress stand ready to work with the President on the responsible reforms suggested by that commission and others.

And this Congress remains committed to reducing the national debt. Under our budget, and including this tax bill, we will cut the public debt in half over the next ten years, and reduce the debt by more than $200 billion over what the President's budget recommendations called for.

Still, Mr. President, even as we tackle all these challenges, we do have the capability of refunding to the hard-working American taxpayers a little of what they have been overcharged. That's what this legislation, and this debate, are all about today.

The choice is simple: More government and more spending versus letting the people keep a little more of their hard-earned incomes and a little more control over their own lives.

Mr. President, I vote for this tax relief bill because I am casting a vote of confidence for the wisdom of the people, and a vote to help by removing some of the heavy tax burden they are bearing.
July 30, 1999
CONGRESSIONAL RECORD—SENATE 18817

Mr. ASHCROFT. Mr. President, I join
Mr. ABRAHAM. I thank the Senator.
Mr. SANTORUM. I thank the Sen-
Mr. ROTH. I appreciate the com-
Mr. ABRAHAM. Mr. President, I also
Mr. SANTORUM. I appreciate his con-
Mr. ROTH. I appreciate the com-
Mr. GRASSLEY. Mr. President, in
Mr. ABRAHAM. I thank the Senator.
Mr. ASHCROFT. Mr. President, I join
Mr. ASHCROFT. Mr. President, I join
Mr. ABRAHAM. Mr. President, I join

charitable giving to those organiza-

The amendment creates 100 renewal

of charitable choice and recognizes

Mr. ROTH. I thank the Senator from

Mr. MIKULSKI. Mr. President, I rise
today to oppose what the Republicans

The Republicans are trying to pander
to economic opportunity. The Presi-

dential tax relief package and I look for-

in order to offset any revenue loss associ-

Mr. President, I will continue to

Members of the Senate from Pennsyl-

Mr. President, I am encouraged to

Mr. ROTH. I thank the Senator from

The legislation will also provide in-

Mr. President, we are con-

Mr. SANTORUM. I thank the Sen-

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Mr. ROTH. I thank the Senator from

Mr. GRASSLEY. Mr. President, I rise
today to voice my concern about the possi-

The Senate from Nevada, on an

In addition to these efforts, we made

Republican may say that a tax cut

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Because of the spending caps, our

Because of the spending caps, our

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Mr. GRASSLEY. Mr. President, in the

Mr. GRASSLEY. Mr. President, in the
language. The most important of these was a change to clarify that service laterals should be included in the definition of CIAC.

These lines typically run from a larger water distribution line to the property line of one or more customers. The utility is responsible for all maintenance and "liability" associated with service laterals. Additionally, state public utility commissions treat contributions for service laterals (or any other capital component of the water supply system) as a CIAC and, therefore, do not allow a utility company to include them in its rate base.

It is important to distinguish that service laterals are not fees charged to customers for the right to start and stop service. Such fees would be treated as taxable income. However, as elements of utility plant, the service laterals should be treated as CIAC.

Additionally, it is my sense that the final revenue estimate done by the Joint Committee on Taxation on the restoration of CIAC included service laterals. In an October 11, 1995 letter to me the Joint Committee on Taxation provided revenue estimates for the CIAC legislation. A footnote in this letter states, "These estimates have been revisited to reflect more recent data." The industry had only recently supplied the committee with comprehensive data, which reflected total CIAC in the industry including service laterals. It is my sense that the Department of the Treasury drafts the regulations on this important matter clearly reflecting the intent of Congress to include service laterals in the definition of CIAC.

Mr. REID. Mr. President, I too, stand to express my concern over the possible direction of the Treasury regulations. The Senator from Iowa and I worked long and hard to fix this problem and to work with the various staffs here in Congress and at the Department of the Treasury to ensure that all contributions in aid of construction as regulated by the various state utility commissions were included under our legislation. We worked with the industry to develop a revenue raiser paid for by companies receiving relief in our legislation. I urge the Department to stick closely with the congressional intent of our amendment and look forward to working with my colleague to ensure that we reach the correct result on this issue.

Mr. KOHL. Mr. President, I rise in opposition to the Roth tax bill and to express disappointment that Senator MOYNIHAN's alternative did not pass the Senate. The Moynihan amendment would have provided real tax relief to those Americans who need it most, maintained the balanced budget that we fought so hard to achieve, and strengthened the Social Security and Medicare programs for generations to come.

Senator MOYNIHAN's amendment would have reduced the unprecedented $800 billion, or 25% of tax cut to more reasonable $225 billion. The Moynihan proposal pays a fair dividend, fairly distributed, to the working families that have fueled the current economic recovery. The Roth proposal breaks the bank with tax breaks for those who don't need them, and benefit cuts to those who have already suffered them. The Moynihan proposal takes a conservative, cautious estimate of the American economic pie and divides it evenly. The Roth proposal uses "pie in the sky" surplus estimates to justify huge tax breaks for a very small segment of society.

The proponents of $800 billion worth of tax relief would have us believe that a $1 trillion surplus is as reliable and inviolate as the sun coming up in the morning. But as my colleagues know, this projection is based on the most optimistic and unrealistic assumptions—assumptions about the precise direction of the economy, which is notoriously hard to predict, and assumptions about the willingness of Congress to make large and drastic spending cuts, which is notoriously nonexistent.

Over the next 5 years, the smallest changes in the economy could lead the $1 trillion surplus estimate to be off by as much as $800 billion. And, who among us believes that Congress and the President have the ability, or the desire, to cut programs like education, agriculture, and biomedical research by the approximately 50% required? In fact, already this year we have increased spending by $35 billion with more added every day. Furthermore, members of Congress from both sides of the aisle admit there is no way we will get a $1 trillion appropriations bill without yet another, end-of-the-year cash infusion.

The surplus is not a sure thing, and basing an $800 billion tax cut on it is a long-shot gamble. It was wrong, during the deficit spending, to take money from future generations and spend it on ourselves. It is equally wrong today to bet the money of future generations on shaky economic projections and the surreal expectation that Congress will suddenly—for the first time—decide to make tough cuts in government spending.

None of this is to suggest that our budget is as bad as it was ten years ago—it is just not as good as the Roth proposal assumes. Our nation is currently enjoying record unemployment, falling welfare rolls, and increased prosperity for more Americans than at any time in history. We can and should use this opportunity to fix oversights and inequities in our tax code. Working Americans have done their share, and they deserve to share in it—they deserve a tax code that helps them send their children to college, that eases the burden of paying for long-term care, that encourages marriage, saving and high quality child care. Simply put, in times of economic prosperity we have the chance—and the obligation—to expand the pool of winners in our economy.

And there are definitely some provisos in the Roth proposal that do just that. Both Senator ROTH's bill and the Moynihan amendment contain a version of my Child Care Tax Credit to encourage employers to get involved in increasing the supply of quality child care. Both bills also contain my Farmer Tax Fairness Act to allow farmers to realize the benefits of income averaging. And both bills provide for education tax relief, marriage penalty relief, full health insurance deduction for the self-employed, tax relief to cover the costs of long-term care, and the extension of tax credits that are vital to our economic health.

But despite any common elements, on almost every point, the Moynihan alternative not only does a better job of maintaining the overall concept of tax relief, it also focuses that relief on those taxpayers most in need of help. It is a conservative package that leaves plenty of room to preserve Social Security and Medicare, preserve the fiscal balance we have worked so hard to achieve, and pay down the national debt.

Mr. President, for all these reasons, I hope, when we finally get serious about writing a tax bill later this year, we will seriously consider the Moynihan alternative. It is balanced, responsible and fiscally prudent. It will help us expand opportunities and make life better and easier for more Americans and their families. And we should reject the Roth proposal. It turns the clock back to the failed budget policies of the past, while providing too much benefit for too few Americans at too great a cost.

Mr. GORTON. Mr. President, the question now being considered by the Senate is whether we should refund a portion of the federal government surplus to American families.

Over the next ten years, the federal government will collect $996 billion more in income and other taxes than is necessary to pay fully for every existing federal program, agency and department. This means that the IRS will be taking almost $1 trillion more in taxes from the American people's paychecks than it needs to operate the government. This is a tax surplus—a tax overpayment.

This tax rate debate, serious as it is, concerns only the non-Social Security surplus. Both sides agree that the Social Security surplus itself is to be reserved for Social Security recipients only, and not be diverted to any other purpose.

There is, however, an important distinction between the two parties even on Social Security. Republicans, myself included, believe that we should
pass a “lockbox” law, giving the strongest possible statutory protection to that non-Social Security surplus. Democrats have consistently filibustered our proposal, asking Americans simply to trust them not to raid the Social Security surplus in the future as they have in the past. That is not enough.

The difference between the parties on taxes is even more striking. Republicans believe that the lion’s share of the non-Social Security surplus ought to be returned to the American taxpayer whose taxes created that surplus; Democrats want to spend that surplus on new and expanded government programs.

I am convinced that this tax overpayment should be refunded to the American people who worked for and earned it. It is their money and it should be returned. But I will take this opportunity to ask them as they deem best for their families and their futures. The alternative to refunding the tax surplus to taxpayers is to leave the money in Washington, D.C. where it will be spent to create $1 trillion in new government programs.

The President and his supporters in Congress are making outrageous claims that giving a refund to taxpayers is risky or even dangerous. They say that somehow returning a portion of the government surplus to American families will somehow endanger the very livelihoods of women and children. On that point, I would ask every American citizen to challenge the President and his Democratic allies to back up with facts their politically-charged claims.

This latest shameless charade by the President is absolutely outrageous. The inference propounded by President Clinton is that those of us in this Chamber who support a tax refund are rewarding those who oppose such a refund with the reward that those who oppose such a refund deserve.

A vast majority of the American people and those in Congress support reforming our tax code. I hope that when Congress takes action to ease the cost burden of the federal tax code, the opportunity to simplify or reduce the complexity of the tax code will be seized. I do not pretend to believe there is consensus on how to reform the code completely at this time, but at the very least Congress should pass a tax bill that does not make the code even worse or a bewildering mess than it is today.

Unfortunately, the bill reported out of the Finance Committee does not achieve the goals of either simplifying the code, or even to do no further harm. The bill contains 15 titles, 19 subtitles and 163 various sections to total over 400 pages in length. It takes a report of an additional almost 300 pages to explain what the bill even does. Yes, the bill does refund nearly $800 billion in unneeded tax dollars back to the American people, but at what price? Adding more pages to the tax code? Making the code more complicated? Further confusing taxpayers as they struggle to fill out their tax returns?

What is most unfortunate is that a tax relief bill need not be so complex. It is certainly possible to refund the tax surplus simply and directly. An alternative was proposed during committee consideration by Senator Gramm that accomplished the goal of simple tax relief by including just four elements: broad-based income tax rate relief, repeal of death taxes, elimination of the marriage penalty, and full deductibility for health insurance for all Americans. I voted for that alternative in the Senate.

While I may not fullyendorse every aspect of this specific proposal, I strongly and enthusiastically support its intent to refund the taxpayers’ money in a manner that simplifies and corrects injustices in the current tax code. We should get rid of death taxes, stop penalizing married couples through the tax code, allow self-employed and individual Americans to fully deduct their health insurance costs as corporations do, and we should permanently extend the R&D tax credit so that our increasingly technology driven economy can continue to grow and create jobs.

I cannot, however, happily endorse a tax relief package that moves toward such reform only to get lost in a 443-page swamp of countless new provisions and rules. The citizens of Washington state and the taxpayers of this nation deserve to have a significant portion of the tax surplus returned to them, and they deserve it in a manner that doesn’t make filling out their IRS return by April 15th even more of an exasperating experience.

For now, I will continue to push for a debate that reform our tax code. In the meantime, I am committed to pushing onward with the principles that guide this debate: Should a portion of the government surplus be refunded to American families, or should the rest of the non-Social Security and Medicare surplus be left in Washington, D.C. for increased spending on government programs?

On that question, the answer is easy... give American families a tax refund. That requires a yes vote, though with serious reservations.

Mr. DORGAN. Mr. President, I rise to enter into a colloquy with the chairman of the Finance Committee, Senator ROTH, about a tax issue that is important to farm families across the country.

The Senate is on record in this year’s budget resolution as supporting legislation to end the disparity between family farmers and their urban and suburban counterparts with respect to the $500,000 capital gains inclusion for homes sales that Congress passed in 1997 by expanding it to cover capital gains from the sale of farmland along.
with the farmhouses. Under current law, farmers receive little or no benefit from the existing capital gains exclusion. The reason for the exclusion from the town often hold little or no value.

It is my understanding that the chairman is supportive of the effort to end this tax inequity and will work to include this family farmers capital gains fairness proposal in conference should the final tax bill include other capital gains tax relief.

Mr. ROTH. I understand the Senator's concerns. In the context of capital gains, I believe the needs of farmers as considered to be developed future legislation. In the conference, we will certainly be discussing capital gains. And we will consider the special needs of farmers in this area.

Mr. CAMPBELL. Mr. President. Today I have support for S. 1429, The Taxpayer Refund Act of 1999. This is a sound bill based on real need and I believe the American taxpayers deserve and want this legislation.

The Taxpayer Refund Act of 1999 goes a long way toward taxpayers of an unfair tax burden. This bill provides: broad-based tax relief; family tax relief by addressing the Marriage Penalty Tax; retirement savings and education incentives; health care tax reductions; small business tax relief; international tax reform, and death and gift tax relief, among other provisions.

I am particularly interested in the estate tax relief because earlier this year I introduced the Estate and Gift Tax Rate Reduction Act of 1999, (S. 38). Estate and gift taxes remain a burden on American families, particularly those who pursue the American dream of owning their own business. This is because family-owned businesses and farms are the highest tax rate when they are handed down to descendants—often immediately following the death of a loved one. These taxes, and the financial burdens and difficulties they create come at the worst possible time. Making a terrible situation worse is the fact that the rate of this estate tax is crushing, reaching as high as 55 percent for the highest bracket. That’s higher than even the highest income tax rate bracket of 39 percent.

Furthermore, the tax is due as soon as the business owner passes over to the heir, allowing no time for financial planning or the setting aside of money to pay the tax bills. Estate and gift taxes right now are one of the leading reasons why the number of family-owned farms and businesses are declining; the burden of this tax is just too much.

This tax sends the troubling message that families should either sell the business while they are still alive, in order to spare their descendants this huge tax after their passing, or run down the value of the business, so that it won’t make it into their higher tax brackets. Whichever the case may be, it hardly seems to encourage private investment and initiative, which have always been such a strong part of our American economy.

I am pleased that the bill before us takes the important step to address this unfair burden. I will continue to work with my colleagues for the complete elimination of the death tax.

The argument that this tax cut will threaten Social Security, but that's just not true. In fact, this bill saves every penny of the money set aside for Social Security. Social Security is safe and secure with this bill. This bill also leaves $277 billion to finance Medicare, emergencies or other priorities, so this bill does not threaten Medicare or Medicare beneficiaries.

In contrast, the administration’s budget would increase spending by $1 trillion and increase taxes by $1 trillion over the next 10 years according to the Congressional Budget Office. How can this administration believe that they can increase spending and taxes even though they already admitted raising taxes too much? I think since we now have a balanced budget, then the American people deserve this tax cut.

The American people have earned this tax cut, this is their money and I think we should give it back to them. I know that $792 billion is a lot of money, but we have a $3 trillion surplus and one reason we have a $3 trillion surplus is the taxpayers got their taxes raised too much. I realize that we could just go ahead and spend that extra money like the administration wants to do, but I think that would be irresponsible. I think if the American people overpaid, then the American people should get their money back—that’s just fair.

The Taxpayer Refund Act of 1999 is the largest middle-class tax relief since the Reagan administration and I think it’s high time the hard-working taxpayer get this refund.

I ask unanimous consent to have pertinent information printed in the RECORD:

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES, JOINT COMMITTEE ON TAXATION, Washington, DC, March 5, 1999.

Senator Ben Nighthorse Campbell, U.S. Senate, Washington, DC.

DR. SENATOR BISHOP: This is in response to your request dated February 24, 1999, for a revenue estimate of your bill, S. 38, "The Estate and Gift Tax Rate Reduction Act." Briefly, this bill would reduce the statutory estate and gift tax rates contained in section 2011 of the Internal Revenue Code of 1986 (the "Code") each year by subtracting 5 percent from each rate in each rate bracket contained therein. In addition, your bill would also reduce the credit for State death taxes contained in section 2021 of the Code, which is the credit for State death taxes. In section 2021 the credit for State death taxes is 75 percent and the credit is diminished by 1.5 percent from each rate in each rate bracket contained therein. As the result of these reductions in the statutory estate and gift tax rates, Subtitle B of the Code pertaining to estate, gift, and generation-skipping transfer taxes will effectively be repealed for decedents dying and gifts made after December 31, 2009.

I hope this information is helpful to you. Please let me know if we can be of further assistance in this matter.

Sincerely,

LINDY L. PAUL,

DEAR COLLEAGUE: As we prepare to convene the 106th Congress, I am writing to seek your co-sponsorship of legislation that would eliminate the burden of the death taxes. On July 16, 1998, I introduced S. 2318, a bill that took a fresh and prudent approach to reducing the burden of estate and gift taxes. This important bill, which I plan on re-introducing as soon as we reconvene, would conform the Internal Revenue Code of 1986 to phase out gift and estate taxes completely over a ten year period. A copy of S. 2318 is enclosed for your convenience.

Just this month, the Joint Economic Committee released its study entitled, "The Economics of the Estate Tax:" This thorough analysis concluded that "the estate tax generates costs to taxpayers and the environment that far exceed any potential benefits that it might arguably produce." The study shows persuasively that this unfair and byzantine tax detracts from economic growth and squelches entrepreneurial initiative. Of special importance to me, the study also demonstrates how this tax undermines family-owned businesses and farms—a segment of our economy responsible for about 2% of new job creation since the early 1970s. Clearly, the time for eliminating the estate tax has arrived.

My bill would gradually eliminate this tax completely, by reducing the tax five percent each year, until the highest rate reaches zero. Although the $220 billion removed from this tax last year represents only a tiny percentage of overall IRS receipts, eliminating it requires a gradual approach. A gradual reduction over ten years is wise as we struggle to maintain our commitment to balance the budget and prune the federal government. A gradual approach minimizes possible dislocations.

Several states have already taken a similar initiative and phased out their state taxes on their own. I think it’s time we followed suit and eliminate this federal tax. My bill last year was endorsed by the American Farm Bureau, the Family Business Estate Tax Coalition, the U.S. Chamber of Commerce, and other interested groups.

Should you wish to be an original cosponsor of this bill when I reintroduce it, or if
my strong opposition to efforts by Members in the other body to use $6 billion in unobligated Temporary Assistance for Needy Families, or TANF money, and unobligated Medicaid or Children’s Health Insurance Plan funds. I learned of this proposal after reading the July 28, 1999, New York Times, in which appeared a story entitled, “Leaders in House Covet States’ Unspent Welfare Money.” Why do they want to do this? To help fund the $792 billion tax cut proposal that the other body passed last week—a proposal that would mostly help the wealthiest taxpayers in this country, which would be a repudiation of our promise to help families living in poverty. It is a classic situation of reverse Robin Hood: robbing the poor to give more to the rich.

Mr. President, during debate on the welfare reform bill in 1996, states agreed to trade entitlement status under the Aid to Families with Dependent Children program for the assurance of a fixed, annual amount in the form of a block grant. Those of us who opposed the welfare bill for this and other reasons warned that it would be harder under a block grant to keep welfare funds from being cut. Now, certain members are turning our fears into reality. The cuts in this former entitlement program have begun. Cutting funds in this manner, Mr. President, would represent a betrayal of our promise to protect America’s poor families.

Again, as I explained in March, the term, “unobligated,” may seem self-explanatory—that these are simply funds that have not been spent under TANF, Medicaid, or CHIP. Under TANF, according to the U.S. Department of Health and Human Services, a combined total of $4.2 billion from fiscal years 1997, 1998 and 1999 is available. Some would point out that many poor families have worked their way to self-sufficiency and that welfare roles have fallen by record numbers, as reasons why this money is notowed by states and remains unobligated. However, many states are relying heavily on these unobligated funds and have already committed them for a wide variety of uses. States need to distribute some of this funding to counties, and remains unobligated.

However, many states are relying heavily on these unobligated funds and have already committed them for a wide variety of uses. States need to distribute some of this funding to counties, and remain unobligated.

Mr. President, I rise, while we are debating the budget reconciliation bill, to talk about an important family issue that I raised during debate on the emergency supplemental bill in March. I want to voice fundamental or new, innovative expenses to help poor families become financially independent. In July 23, the National Governors Association wrote to Congressmen John Porter and David Obey of the House Appropriations Committee, to plead their case. This letter is signed by Governors Thomas R. Carper of Delaware and Michael Q. Leavitt of Utah, one Democrat and one Republican. The letter states, “Cutting funding for vital health and human services programs such as Medicaid, CHIP, TANF, and child support would adversely affect millions of Americans— with the greatest impact on children and the elderly in the greatest need. We reiterate our adamantly opposed to these unprecedented cuts and to any proposal that would result in taking away the lifelines to our most vulnerable citizens.”

I concur with the Governors’ sentiments about these valuable programs.

Mr. President, I do this especially because the monies in question were originally designated to help our poorest children and their families. Instead, they would, over the next 10 years, go toward such things as estate tax relief and capital gains tax relief—tax benefits for the wealthiest taxpayers in the Nation.

Tax relief can be a good thing. However, it should not be the top priority when we face the urgent need to pay down our country’s debt and save Social Security and Medicare. I hope my colleagues agree with me on an issue that is important to many poor Americans. I hope funding is not taken out of TANF, Medicaid or CHIP, as a solution to low budget caps.

INDEPENDENT BAKERY DRIVERS

Mr. NICKLES. Mr. President, I have been working for several years to clarify a provision of the tax code which treats certain truck drivers as “statutory employees,” meaning they are independent contractors except for payroll tax purposes.

Prior to 1991, those individuals could pay their own payroll taxes if they had a substantial investment in a distribution route. However, a 1991 IRS ruling said that an investment in a distribution route no longer qualified as an investment in “facilities.” This reversal by the IRS has created much uncertainty, particularly in the bakery industry.

I have prepared an amendment to clarify that an investment in facilities can include a substantial investment in a distribution route, area, or territory. Thus, an independent-contractor truck driver who has a substantial investment in a distribution route or territory will not be treated as a statutory employee for FICA and FUTA tax purposes.

Unfortunately, I am prevented from offering my amendment to this tax reconciliation bill because it affects the
Social Security program. Under Section 310(g) of the Budget Act, the adoption of my amendment would cause the entire amendment to be subject to a 60-vote point of order.

Therefore, I will not offer my amendment to this bill. However, I ask my colleague from Delaware, Senator Roth, if he would work with me to consider this amendment on the next non-reconciliation tax measure considered by the Senate Finance Committee.

Mr. ROTH. I thank the Senator from Oklahoma for his comments on this issue. The budget reconciliation procedures do prevent the consideration of some amendments such as the one described by the Senator from Oklahoma. I look forward to working with the Senator from Oklahoma on this important issue on the next non-reconciliation bill.

TAX RULES FOR CONSOLIDATION OF LIFE INSURANCE COMPENSATION

Mr. COVERDELL. Mr. President, let me ask the Chairman. As I understand it, the tax rules regarding the taxation of life insurance compensation have changed substantially over the past years. As a vestige of these old tax rules, however, there are certain limitations on when life insurance companies can file consolidated tax returns with non-life companies.

Mr. ROTH. Yes, I agree.

Mr. SHELBY. I also want to note that in the Senator’s tax bill and in the House tax bill, some of these restrictions on life insurance consolidation have been addressed.

Mr. ROTH. Yes, that is true.

Mr. SHELBY. I ask that the Chairman keep in mind the further rationalization of these restrictions as this bill heads into conference and in future action in the committee.

Mr. ROTH. I will keep in mind the concerns of both Senators in this important issue.

BRINGING COMPUTERS TO THE CLASSROOM

Mr. DASCHLE. Mr. President, as a cosponsor of the New Millennium Classrooms Act, introduced by Senators ABRAHAM and WYDEN, I am very pleased the Senate adopted this provision to encourage computer donations to schools. While I oppose the underlining bill, and believe the magnitude of the Republican tax cut is irresponsible, I do support a more reasonable level of tax relief with provisions targeted to address national needs. This provision, which has strong bipartisan support, meets that test. I would also like to point out that Senator BAUCUS sponsored a similar provision that was part of the Democratic alternative considered earlier.

Technology is playing an increasingly important role in our society, in homes, in businesses, and in many aspects of everyday life. Employers will require increasingly sophisticated levels of technological literacy in the workplace of the 21st Century. Education Secretary Riley has pointed out that we can expect 70 percent growth in computer and technology-related jobs in the next 6 years.

Yet, a recent U.S. Department of Commerce report, “Falling Through the Net: Defining the Digital Divide,” finds there is a growing disparity in terms of who has access to technology. While more Americans are embracing technology, African Americans and Hispanics, particularly from lower-income families and from rural areas, have less access to computers, and that gap is growing. We find ourselves with a new, information-age definition of “haves” and “have-nots.” These conditions are not good either for those left behind, or for those who will be looking to hire employees in the future.

Every child should be able to gain technology skills through his or her classroom. Yet many schools are having difficulty meeting this challenge. Sadly, while some schools have access to the latest equipment, too many schools, particularly in fiscally strapped urban and rural areas, have an insufficient number of computers, and most of those are outdated. The average computer in the classroom is 7 years old—and many are even older. A large proportion of these computers cannot run current educational software or connect to the Internet.

The Department of Education recommends that the optimal ratio of students per computer is five to one. Yet schools where 81 percent or more of the children meet the Title I eligibility standards have only one multimedia computer for every 32 students. Even schools where less than 20 percent of the students are economically disadvantaged have only one multimedia computer for every 22 students.

At the same time, research shows that students with the least access to technology can be helped most from effectively integrating technology into the classroom. A study by City University of New York found test scores of disadvantaged children increased dramatically with computer-aided instruction.

We have taken several steps at the federal level to increase schools’ ability to integrate technology into the curriculum. The creation of the E-rate program, for example, is helping schools obtain access to the Internet. Technology Challenge grants are providing resources to schools to upgrade their computer programs. We are also providing more resources to help train teachers on the best ways to use technology effectively in their classes. But many schools have a fundamental problem in obtaining suitable hardware.

Current law provides an enhanced deduction for computer donations to schools until December 31, 2000. Unfortunately, few corporations are taking advantage of the enhanced deduction for two main reasons: the requirement that donated equipment be 2 years old or less does not fit companies’ equipment use cycles, and the deduction is not made unless the deduction is claimed.

Modifying the tax code to address these limitations, as the Abraham-Wyden amendment proposes, will help us achieve the goal of putting a computer in every classroom and create ongoing incentives to make sure the technology is kept reasonably up-to-date. The Rand Institute has estimated the cost of providing our schools with appropriate technology to be about $15 billion. The New Millennium Classrooms Act will help stretch federal funds efficiently and effectively to address this shortfall.

Mr. WYDEN. Mr. President, I am pleased that last night the Senate adopted the Abraham-Wyden New Millennium Classrooms Act as an amendment to the reconciliation tax bill. Senator ABRAHAM and I have worked on many technology issues together as members of the Senate Commerce Committee.

The New Millennium Classrooms Act is about digital recycling. It gives companies an incentive to recycle technology. It says the computer Bill Gates may see as a dinosaur, is really a dynamic new opportunity for seniors and students who have none.

There is a growing need to encourage access to information technology for both seniors and students. The Administration on Aging estimates there are about 11,500 senior centers throughout the United States serving millions of older Americans. The centers offer a variety of services, including employee assistance and educational programs. Equipping senior centers with donated computer equipment could help open the door to employment opportunities. We know there is a growing demand for skilled high tech workers. Just last year, the high tech community came to Congress asking for a large increase in the number of skilled H-1B visas so they could hire foreign workers to fill the gap. Congress agreed to boost the number of H-1B visas from 65,000 to 115,000 for 1999 and 2000. Those are 50,000 jobs that could have gone to Americans. Many seniors have the drive and the desire to keep working; they simply need to gain some basic computer skills.

While it is important for all Americans to have equal access to information technology, the most pressing need is in our schools. The Department
of Commerce recently published a report, “Falling Through the Net: Defining the Digital Divide.” For example, the study found that the rapid build-out of the information superhighway has by-passed many in rural and in less-advantaged urban communities. The report says factors such as race, income and area of residence help limit access to information technology. For instance, the study found that households earning more than $75,000 are five times more likely to own computers than those earning less than $10,000. Households earning more than $75,000 are seven times more likely to use the Internet than those earning less than $10,000.

We know that very early in the next Century 60% of all jobs will require high-tech computer skills. To prepare our children for the jobs of the future, they do not only must have access to technology, but they must be trained to use it as well. But we cannot count on children in low-income and rural communities even to have access to computers. Schools can serve as great equalizers in this equation, giving all children access to information technology resources. However, a 1997 report by the Educational Testing Service found that on average there was only one multimedia computer for every 24 students. In economically disadvantaged communities, the situation is worse: the computer to student ratio rises to one in 32.

The purpose of our amendment is to build more bridges between the technology “haves” and the “have nots” to build more on-ramps to the information superhighway. You can’t get 21st Century classrooms, using Flintstones technology. However, technology is not cheap and school budgets are limited, making it tough for schools to upgrade their systems by themselves. The point of our amendment is to enhance existing incentives to businesses to donate computer equipment to schools.

There is a federal program in place, the 21st Century Classroom Act of 1997, but its use has been limited. It allows businesses to take a tax deduction for certain computer equipment donations to K-12 schools. But most businesses take longer to upgrade their computers than a three-year age limit for donated equipment eligible for a tax credit. This more realistically tracks the time line businesses follow for their computer upgrades. It will cover hardware that possesses the necessary memory capacity and graphics capability to support Internet and multimedia applications.

Second, our bill expands the current limitation of “original use” to include both original equipment manufacturers and any corporation that reacquires their equipment. We believe that by expanding the donors eligible for the credit, we will expand the number of computers donated to schools and senior centers.

Third, our bill provides for a 30% tax credit of the fair market value for school and senior center computer donations, and a 50% credit for donations to schools located in empowerment zones, enterprise communities and Indian reservations. The Department of Commerce report highlights the need for encourage school computer donation in these notoriously under-served communities and we want to target donations toward these communities.

Finally, our bill requires an operating system to be included on a donated computer in order to qualify for the tax credit. This will ensure students and seniors don’t get empty computer shells, but the brains that drive the computers.

Our legislation is supported by a wide range of business and education groups. Leaders of technology associations, like the Information Technology Industry Council and TechNet, and the National Association of Manufacturers have joined education associations, such as the National Association of Secondary School Principals and the National Association of State University and Land Grant Colleges, in support of the amendment.

The Digital Millennium Classrooms Act promotes digital recycling. It will encourage companies to put their used computers into classrooms instead of into landfills. It will help build a safety net under students trying to cross the digital divide. I thank my colleagues for supporting this amendment, and my colleagues Senator BURBANK for his leadership on this legislation.

Mr. McCAIN. Mr. President, as one who has advocated tax relief and reform for American families throughout my 17 years in Congress, I welcome the opportunity to speak on the Taxpayer Refund Act of 1999.

Americans want, need, and deserve tax relief. The government takes too much of the American people’s earnings to fund the bloated bureaucracy in Washington. The notion that the government knows better than families how to spend their money is absurd. Americans should be able to keep much more of their hard-earned money to use and invest for themselves and their family’s future.

Not only do Americans want and need tax relief, they also deserve fundamental reform of our unfair and overly complex tax code. For years, this bill is no exception, we have compounded the tax code’s complexity and put tax loopholes for special interests ahead of tax relief for working families. The result is a tax code that is a bewildering 44,000 page catalogue of favors for a privileged few and a chamber of horrors for the rest of America—perhaps the accountants and lawyers.

No one can possibly believe it’s fair to tax your salary, your investments, your property, your expenses, your marriage, and your death. Taxes claim nearly 40 percent of the average taxpayer’s income. This is simply not right.

This bill takes several steps toward relieving that excessive tax burden, and I congratulate the Chairman and his colleagues on the Senate Finance Committee for their hard work in crafting this bill for the Senate’s consideration.

There are many good provisions in this bill, and I intend to support it in the hope that a conference agreement can be reached that provides meaningful tax relief and that the President will sign into law. However, I am concerned that the majority of the tax relief proposed in this bill will not be available to taxpayers for several years. The bill also excludes other very good ideas but includes several provisions that are clearly intended to benefit special interests. I hope the amendment process, limited though it is, will determine what special interest provisions that are clearly intended to benefit special interests.

Mr. President, the latest reports project a nearly $3 trillion federal budget surplus over the next 10 years. About two-thirds of the projected surplus comes from Social Security payroll taxes that are deposited in the Social Security Trust Fund, and must be kept away from spendthrift politicians to ensure that Social Security benefits are paid as promised. Our first priority must be to lock up the Social Security Trust Funds to prevent political pandering with reconciliation measures, will improve it before we are asked to vote on final passage.

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I firmly believe a healthy portion of the projected non-Social Security surplus should be returned to the American people in the form of tax cuts. I also believe we have a responsibility to balance the need for tax relief with other pressing national priorities.

After locking up the Social Security surplus, I would dedicate 62 percent of the remaining $1 trillion in non-Social Security surplus revenues, or about $620 billion, to shore up the Social Security Trust Funds, extending the solvency of the Social Security system until at least the middle of the next century. The President promised to save Social Security, but he failed to include this proposal anywhere in his budget submission. In fact, he has since proposed or supported spending billions of dollars from the surplus on other government programs, depleting the funds needed to ensure retirement benefits are paid as promised.

I would also reserve 10 percent of the non-Social Security surplus to protect the Medicare system, and use 5 percent to begin paying down our $6.5 trillion national debt.

With the remaining $230 billion in surplus revenues, plus about $300 billion raised by closing inequitable corporate tax loopholes and ending unnecessary spending subsidies, I would provide meaningful tax relief that benefits Americans and fuels the economy.

My tax relief plan, which was filed as the Taxpayer Refund Act of 1999, includes provisions that are similar to many of the other provisions in this bill that provide tax relief for education, health care, and other issues important to American families are implemented gradually or simply delayed for several years. Likewise, some of the provisions that benefit small businesses and tax-exempt organizations do not take effect for a number of years. In fact, less than half of the 120 provisions in this bill provide any tax relief at all in the year 2000. Those tax cuts that do take effect immediately amount to just $5 billion of the nearly $800 billion total tax cuts in the bill.

But look at some of the provisions that do take effect immediately:

—A provision to extend the tax credit for electricity produced from wind and closed-loop biomass sources, and also extend the credit to electricity produced from poultry waste, which is defined to include rice hulls, wood shavings, straw, bedding, and other litter. This provision goes into effect immediately and will cost $1.6 billion over 10 years.

—A provision to exempt individuals with foreign addresses from paying the 7.5 percent air passenger ticket tax on frequent flier miles, leaving American passengers to pay for over-burdened air traffic control system. The provision goes into effect on January 1, 2000, and will cost $238 million over 10 years.

—A provision that exempts small airplanes from paying ticket taxes. This provision goes into effect on December 31, 1999, and will cost $11 million over 10 years.

—A provision to reduce the excise tax, from 12.4 percent to 11 percent, on component parts of arrows used for hunting fish and game that measure 18 inches overall or more in length. This provision takes effect immediately.

How can we justify giving a $33 million tax break next year to companies producing electricity from chicken waste, when senior citizens have to forgo some of their Social Security benefits if they must work to make ends meet. How can we justify writing off $15 million in revenue next year from people from other countries who fly to the U.S., when American families and businesses and tax-exempt organizations can take a marriage penalty until 2005?

Mr. President, as I have said, there are many good provisions in this bill which reflect the hard work and difficult decisions that Chairman Roth and the Finance Committee faced. They have worked hard to do the best we can for the American people who need and deserve relief from excessive taxation and a burdensome tax code. I intend to vote for this bill, even though I know, as do my colleagues, that the President has pledged to veto both the Senate and House tax bills. Neither bill will ever become law, and the American people will never see a nickel's cut in their taxes, if the President has his way. I have an unfortunate reality that the conference on this measure must recognize as they work to craft a meaningful tax relief bill that can be enacted and implemented for the benefit of the American people. I will vote for this bill to move the process along and send this bill to conference with the House. What will matter at the end is that we focus on crafting a bill that can become law so that the American taxpayers get the relief they deserve and need. I have put forward a plan described briefly here, that I believe can be a starting point for meaningful and achievable tax cuts. I urge the conferees on this legislation to focus on a conference agreement that the President will sign and that will become law this year. That is what the American people want and need.

Mr. DODD. Mr. President, I would like to take this opportunity to express my thoughts and observations on the Senate's consideration of S. 1429, The Taxpayer Refund Act of 1999.

Regrettably, in choosing to pass this bill, the Senate has missed a unique opportunity to provide Americans with long-term economic stability, improved retirement and health security for seniors, and targeted tax cuts for working families.

Instead, the Senate has adopted—along largely partisan lines—a package of reckless and fiscally irresponsible tax cuts that threatens our economic prosperity, endangers our commitment to Social Security, Medicare, education, and other priorities.

Let me briefly express my concerns about this legislation in more detail.

First, it would harm the country's long-term economic prospects. I find it somewhat ironic that many of our Republican colleagues applaud Federal Reserve Chairman Greenspan's economic stewardship, yet choose to ignore his warnings about the ill-considered implications of this plan. In fact, the Chairman has made abundantly clear that this tax package will stimulate an economy that is already performing at a high level. That will
only contribute to the kinds of inflationary pressures that have already caused the Fed to recently raise interest rates. The further irony of course is that, as we all know, an increase in interest rates acts as a hidden tax on taxpayers. So by contributing to a hike in interest rates, this tax package could actually have the effect of raising the cost of a mortgage loan, a student loan, and so many other items upon which working families depend.

Second, S. 1429 fails the test of tax fairness. According to the Department of the Treasury, nearly 67 percent of the tax cuts would benefit the wealthiest 20 percent of families. Only 12 percent of the tax benefits are targeted at the bottom 60 percent of income earners. The bill contains estate tax relief that costs $12 billion in FY 2008. Even estates exceeding $10,000,000 in worth. Is this middle America? I don’t believe so. Meanwhile, the Majority has once again refused to extend child care tax credits to people earning less than $22,000.

The Republicans stress the importance of securing the solvency of Social Security and Medicare. Again, it is a cruel irony that, at precisely the time early in the next century that Medicare is scheduled to become insolvent and Social Security surpluses are expected to disappear, the cost of the Majority’s tax cut will begin to skyrocket to almost $2 trillion. As the baby boomers begin to retire and the solvency needle approaches zero, the Republicans have left virtually nothing to secure the viability of these important programs for future generations of retirees.

Drastic cuts to domestic and defense spending, and the tax cut consequence of this ill-conceived tax bill. It will have the effect, if not the intent, of crowding out investments in critical domestic and defense priorities. This bill assumes cuts in defense of $198 billion and cuts of $511 billion in discretionary spending, one-third to paying down the debt, and $290 billion in tax cuts for low and middle income Americans. It would have, among other provisions, increased the standard deduction for the 73 percent of Americans who claim the standard deduction, provided a 100 percent deduction for health insurance for the self-employed, and offered a 25 percent credit for employers who operate child care centers on site or who help employees pay the cost of off-site child care. This is broad-based tax relief targeted to the people who need it the most. While the Dodd-Jeffords amendment on child care was adopted by voice vote, regrettably the Moynihan amendment did not prevail. Nor did other important amendments. Chief among these is Kennedy’s efforts to provide a much needed prescription drug benefit. Three-quarters of American seniors lack dependable private sector coverage of prescription drugs. Yet seniors increasingly rely on new and often costly medicines to preserve their health and prolong their life. In a bill providing $792 billion in tax breaks, I regret that the Senate could not find $49 billion for modest drug coverage.

My friend and colleague from Connecticut, Senator Lieberman, along with Senator Hollings, offered an important amendment that would have stricken all of S. 1429’s provisions, effective immediately. Now, the surplus would have then been used to pay down the debt. I voted in favor of this amendment not as a statement against all tax cuts, but rather to support its message of fiscal responsibility and to express my utter opposition to the Majority’s tax bill.

Mr. President, in simple terms, tax cut may be compared to apple pie. Everyone likes them. Everyone would like a slice. But we have other responsibilities. We should provide tax cuts, but what should tax cut be used for? Other priorities as well. Especially now, when economic times are as good as they have been in our lifetimes, we should build a strong foundation for long-term prosperity by reducing the national debt, strengthening Social Security and Medicare, boosting our national defense, and investing in education, the environment, and other vital priorities. The bill that has just passed the Senate fails to do that. I remain optimistic that in conference we can craft legislation that is more faithful to our shared vision of future prosperity and stability for all Americans.

Mr. McConnell, Mr. President, the amendment I submitted would reduce the capital gains holding period for horses from 24 months to 12 months and would correct an inequity in the tax code that has discriminated against the horse industry since 1969. Currently, all capital assets—with the exception of horses and cattle—qualify for the lowest capital gains tax rate if held for 12 months. This discrepancy in the tax code is simply not fair to the horse industry and must be changed.

The horse industry is extremely important to our economy, and accounts for thousands of jobs. Whether it is owning, breeding, racing, or showing horses—or simply enjoying an afternoon ride along a trail—one in thirty-five Americans is touched by the horse industry. In Kentucky alone, the horse industry has an economic impact of $3.4 billion, involving 150,000 horses and more than 50,000 employees.

What supports this industry is the investment in the horses themselves. Without breeders like others have said, investments are essential to the operation and growth of the horse industry. Without others willing to buy and breed horses, it is impossible for the industry to remain competitive. The 2-year holding period ultimately discourages investment, putting this industry—and the 1.4 million jobs it supports nationwide—at risk. Clearly, this is bad economic policy and must be changed.

The two-year holding period for horses is sorely outdated. It was established in 1969, primarily as an anti-tax shelter provision. Since then, there have been a number of changes in the tax code. Specifically, the passive loss limitations have been adopted, putting an end to these previous tax loopholes.

Although horses are categorized as livestock, they have an entirely different function than other animals, like cattle. While both are livestock, the investment in these two animals is different. Be it in value, it is different with a finite and generally short life span. However, horses—whether they are used for racing, showing, or working—are frequently bought and sold
Mr. ROCKEFELLER. Mr. President, I filed a motion to protect veterans' health care because veterans are apt to be hurt by the tax reduction bill before us. I was joined in this effort by Senators MIKULSKI, BRYAN, DASCHLE, HARKIN, and BINGAMAN. Senator MIKULSKI, as vice chair of VA Appropriations Subcommittee, and my other cosponsors all understand what is at stake here. I did not proceed in offering this motion, however, because Senator WELLSIONT offered a similar motion.

The issue raised by my amendment still applies to this tax bill. It is very simple: approval of this $300 billion tax reduction bill leaves no ability to meet our obligations to veterans. If we spend all of the federal surplus on tax giveaways, there will be nothing left to fund veterans' health care.

In my view, the Senate Finance Committee needed to rethink this tax bill and reserve $8.5 billion over 5 years to appropriately fund VA health care.

This is simple math. My motion instructed the Finance Committee to provide for slightly more than 1 percent of the tax cut included in the bill before us. I want to repeat that—it would have set aside about 1 percent of the tax cut included in the bill for veterans.

The amount included in the—$8.5 billion over 5 years—has been fully justified by the Committee on Veterans' Affairs in its Views and Estimates letter to the Committee on the Budget.

I ask unanimous consent that a copy of this letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

Veterans Health Care

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The Budget Committee can anticipate an admission to VA enrollees will be $548 million in FY 00, to begin addressing the assumptions of this added responsibility. VA participation in preparatory activities for the veterans' Health Administration will be required to absorb an additional $23.4 million in other uncontrollable expenses (e.g., state home and CHAMPVA workload increases, storage and space requirements, additional calendar day costs, etc.)

It is imperative that the Budget Committee understand its obligation to absorb such cost increases continually must result, at some point, in cuts in the amount of care—or, more alarmingly, in the quality of care—available to VA patients. In our view, this has documented serious quality problems, e.g., an increase in dangerous pressure ulcer sores, which appear to be directly associated with patients who staff often neglect to maintain outpatient care access, waiting times for appointments for routine care, delayed care, veterans with long-term care needs, and VA administration.

The foregoing discussion has focused on additional funding of $2 billion needed to meet unanticipated requirements and to maintain current services. Further funding increases of $1 billion or more are required to address the two largest unmet needs VA faces due to demographic shifts in the veterans' population: long-term care for caregivers who helped veterans through the World War II generation and Korea veterans, and maternity and reproductive health services for the growing number of female veterans.

In our view, the health care issue that VA must face over the intermediate term—in deed, the health care issue that the Nation must face over the next decade—is the need for long-term care. For the World War II generation, WWII veterans saved Western civilization. We cannot turn our backs on them now. These women will become veterans, and VA will be compelled to offer a promise of benefits, and then induced to enroll for VA care with the promise of a full continuum of care. For the most part, such funding would not be directed to new programs. Rather, it would be devoted to providing VA-supplied, State home-supplied, or VA-sponsored contract/community-based care. These programs are, in our view, effective. But they are grossly underfunded and do not begin to meet the WWII generation’s need for long-term care services. In addition, we anticipate other initiatives—e.g., increased VA support for State veterans’ homes in the form of both increased per diem payments and pharmaceutical supplies, and initiatives to return excess VA property to State home-supplied, or VA-supported contract/community-based care. These programs, however, have not kept pace with changes needed to accommodate the structural reorganization. Older hospitals designed around an outdated inpatient treatment model lack space to handle increased outpatient demand. In addition, such facilities generally fall short of modern patient privacy, handicapped accessibility, fire sprinkler, and air conditioning standards. At best, these shortcomings hinder VA’s ability to attract veterans into the system. At worst, they seriously compromise patient safety.

Two construction projects which would receive a relatively modest allocation of $5 million in the FY 00 VA budget are particularly mentioned. The first is a $39.7 million outpatient clinic expansion at the VA Medical Center in Washington, DC, which was authorized by Public Law 105-368. The second is a relatively modest $10.8 million environmental improvements project at VA’s Medical and Regional Office Center in Fargo, ND. That project would address asbestos removal, fire prevention, patient privacy, and handicapped accessibility needs. We particular request funding for these projects in FY 00.

C. GENERAL OPERATING EXPENSES—VETERANS BENEFITS ADMINISTRATION

In a reversal of recent trends, in the last two years the Veterans Benefits Administration (VBA) has experienced increases in both the size of the pending compensation and pension case backlog, and the average “age” of new claims which comprises the backlog. At the same time, the quality of VBA decision making has not improved sufficiently despite promises of improvements which were made when the decision review process was expanded. Internal VA reviews indicate an error rate of 36%. VBA requests $49 million in additional funding to support an FY 00 personnel increase of 164 FTE. These new hires would, according to VBA, join personnel shifted from
other duties to yield a net addition of 460 staff of adjudication functions. We have seen no specific plan which identifies the source of the majority of these transferred employees, so we must question whether it is truly a net gain. We do, however, support VA’s request for an additional $49 million in funding to add new adjudication staff. In addition, we believe that the adjudication backlog must be attacked now using current staff in a one-time, targeted, and carefully controlled overtime effort.

IV. PROJECTED MANDATORY ACCOUNT SPENDING

A. EDUCATION ASSISTANCE PROGRAMS

As part of the “Soldiers’, Sailors’, Airmen’s and Marines’ Bill of Rights Act of 1999,” the Senate has already approved, without objection from the Budget Committee, the following improvements in VA educational assistance programs: An increase in monthly assistance payments (from $528 to $600 for veterans who served three-year enlistments, and from $325 to $429 for two-year enlistees); a repeal of the requirement that servicers must advance $100 per month for 12 months from base pay to “buy” eligibility; the allowance of a “lump sum” benefit at the beginning of a training term; and a provision for a Veterans’ educational benefits to a spouse and/or children. CBO has estimated that these provisions will result in additional mandatory account costs of $3.8 billion over fiscal years 2000–2004, and $13 billion over fiscal years 2000–2009.

Had this business been conducted in the regular order, these improvements could have been considered by the Committee on Veterans’ Affairs, the committee of primary jurisdiction. Our committee, perhaps would have devoted a different mix of program improvements—e.g., the Commission on Servicemembers and Veterans Transition Assistance had recommended enactment of a tuition-reimbursement benefits program like that in force before World War II. We did not, however, impede these Armed Services Commission and committee provisions, and we continue to support them. Of course, we reserve the right to revisit the issue within our committee irrespective of the fate of the “Soldiers’, Sailors’, Airmen’s and Marines’ Bill of Rights Act of 1999.” We almost certainly will revisit the issue within our committee, irrespective of the fate of the “Soldiers’, Sailors’, Airmen’s and Marines’ Bill of Rights Act of 1999. We almost certainly will revisit the issue within our committee respecting the fate of these measures, and we continue to support them. Of course, we reserve the right to revisit the issue within our committee irrespective of the fate of the “Soldiers’, Sailors’, Airmen’s and Marines’ Bill of Rights Act of 1999.”

Mr. ROCKEFELLER. Mr. President, it is a reasonable amount which covers $835 million in “automatic” costs such as inflation and wage increases. It also allows for new initiatives, such as the programs to help veterans with special needs. Resource shortfalls have imperiled services for the spinal-cord injured, for blind veterans, for veterans in need of prosthetics, and for veterans in need of mental health care. Health care professionals within VA are overworked. Reductions-in-force have also become a reality for them.

In my own state, we are already seeing lapses in the availability of health care. For example, at the Beckley VA Medical Center, approximately 400 new veterans are waiting to be seen in primary care. Approximately 500 veterans already in the system are on a waiting list for hearing evaluations. And the caseload in pharmacy has increased over 41 percent in the last year, with no increase in staffing, causing many veterans to wait two hours or longer to have a prescription filled.

At the Martinsburg VA Medical Center, approximately 400 new veterans are waiting to be seen in primary care. Approximately 500 veterans already in the system are on a waiting list for hearing evaluations. And the caseload in pharmacy has increased over 41 percent in the last year, with no increase in staffing, causing many veterans to wait two hours or longer to have a prescription filled.

Mr. CHAFEE. I would like to engage the Chairman of the Finance Committee, Senator Roth, and the Senator from Utah, Senator Hatch, in a colloquy regarding alternative fuel vehicles. As the chairman knows, Senator Hatch and I presented an amendment during the finance Committee’s markup of the tax bill, to provide incentives for the sale and use of clean alternative motor fuels and alternative fuel vehicles. Although the amendment has not been included in the legislation we are considering today, I continue to believe that a tax bill should ultimately include these provisions.

In outpatient care at Clarksburg, the waiting times for an appointment in optometry and dermatology are approaching four months, and in urology, veterans are waiting seven months for an appointment.

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As the Chairman and Senator Hatch know, the increased use of these fuels and vehicles will provide substantial environmental and energy efficiency benefits. The vehicles targeted for credits by our amendment are far less polluting than conventional cars and trucks. So, one result of our amendment would be improved air quality. One study of the effect of our proposal is that a tax bill should ultimately include these provisions.

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eliminate 58,000 tons of smog-forming emissions by 2004. That number would more than double by 2009. In order to accomplish that without alternative fuel vehicles, we would have to remove 1.5 million conventionally-fueled vehicles from the road.

Furthermore, each gallon of alternative fuel used in such a vehicle represents one less gallon of gasoline that we need to obtain from imported oil. The Department of Energy estimates that nearly three billion gallons of gasoline would be displaced, thus reducing our foreign oil dependence.

Mr. HATCH. The Senator from Rhode Island is correct. Millions of Americans live in areas that are not in compliance with air quality standards. The increased motor vehicle traffic anticipated in the four county Wasatch front in my home state of Utah will certainly push us toward non-attainment compliance problems. Promoting the increased use of alternative fuel vehicles is a viable option available to help Utah achieve our clean air objectives. Alternative fuel vehicles represent the cleanest vehicles in the world. Market-based incentives will help encourage the use of such vehicles. I am very pleased to be part of this effort with my colleagues from the Finance Committee and am looking into getting a natural gas car of my own at this very moment.

Mr. CHAFEE. The legislation Senator HATCH and I have drafted would address the problem that currently prevents these fuels and vehicles from competing on their own in the market. Incentives to make them less costly will stimulate demand and permit the economies of scale that are needed in order for them to gain more widespread use. Our bill has been endorsed by a diverse group of stakeholders including the Natural Resources Defense council, the Union of Concerned Scientists, virtually all the major automobile manufacturers, and the American Gas Association. There is growing bipartisan support in the Senate for many of these concepts; on the Finance Committee, Senators ROCKEFELLER, BRYAN, and ROBB have all expressed support. I would ask Senator ROTH whether there might be an opportunity to consider this legislation for Utah, whether he would work with us toward its inclusion in a future tax package.

Senator ROTH. I thank my colleagues from Rhode Island and Utah for their hard work on this legislation. The bipartisan support for this proposal is impressive. This is legislation that could make an important contribution to the environment. I look forward to working with my colleagues on this effort.

Mr. BIDEN. Mr. President, it has taken a lot of tough choices here in Washington—and a lot of hard work and restructuring in the private economy—to put our country’s budget into the black. For the first time in a generation, we have a balanced federal budget. And for the first time in our recent history, we have built substantial surpluses for the foreseeable future.

There were times I believed we would never see this day, Mr. President, but our official forecasts now call for as much as one trillion dollars in surplus over the next ten years. That’s on top of the two trillion in Social Security surpluses that will build up over that same time, money that is already promised to future retirees. I want to say something about whether we should count on those surpluses actually materializing, Mr. President, but first I want to talk about what most families I know would do if they woke up to the kind of windfall about themselves to relax that we anticipate in our federal budget today.

Take your average family, Mr. President, with a mortgage, maybe paying for one or two children already in college, maybe another child with college still in his or her future, and perhaps some debts, some worries about how to pay for a retirement that gets closer every year, some aspirations for their children that they may not be able to afford. Maybe Grandma and Grandad have moved in with them, bringing with them some health care problems that add to the family’s expenses. Let’s assume that after years of spending more than they took in, our family finally turns the corner. Let’s borrow a story from today’s new high-tech economy and say that the stock they hold in their new start-up company has just jumped in value. They cannot be sure that the stock will stay that high next year, or the year after that, but they are a whole lot richer than they did before.

Now let’s picture the discussion around their kitchen table, with this new problem to discuss. I’m betting that most of the families I know in Delaware would make plans to pay down their past debts, the mortgage hanging over their heads, make provisions for their children’s education, their parents’ health needs, and their own retirement. Maybe, after they had taken care of those priorities, they would allow themselves to relax and enjoy a more affluent lifestyle.

Mr. President, I don’t claim that this is a perfect analogy to the situation before us in the Senate. I certainly don’t claim that for many hardworking Americans sensible tax relief is some kind of luxury. But I think it makes an important point, which is simply that most Americans would be a lot more cautious, and a lot more prudent, in using any anticipated surplus in their family budgets, than we are planning on in our official forecasts now. And for the basic functions of government—as well as the number of people we pay to perform those functions—Mr. President, we would be spending for the nearly $800 billion tax cut before us today.

The surplus that is forecast assumes no major interruption in the economic growth we have enjoyed in what is now the longest economic expansion in our history. That unprecedented economic growth has kept revenues strong enough to meet and exceed our spending plans. But as Alan Greenspan has reminded us, it is not a question of if, but when, that growth will slow. Still, those who call for an $800 billion tax cut are basing policy on the false hope that inevitable day will never come.

Mr. President, the surplus that some of my colleagues want to use to pay for this tax cut also assumes that there will be no emergencies—no Bosnia, no Kosovo, no Iraqs, no hurricanes, no floods—no things that could cause spending. Even though we regularly spend an average of $8 billion a year on such emergencies.

The surplus also assumes that we will continue deep cuts in national defense, in education, health care, law enforcement, in environmental protection. It assumes that we will continue to reduce spending beyond the current levels, levels that are already causing gridlock in our budget process this year. Right now, Mr. President, spending for the basic functions of government—as well as the number of people we pay to perform those functions, down more than 340,000 in the past seven years—are both at levels we have not seen since 1962.

We should recognize the hard work that achieved those low numbers, Mr. President. They are an important part of how we got to where we are today, with a balanced budget in hand, and surpluses in sight. As the private sector has become leaner and more efficient, the federal government has also moved in the same direction.
But we must also realize that national defense, the FBI, medical research, education, veterans' health care, air traffic control, water quality—all of those things we have learned to count on as citizens of the richest nation the world has ever known—combined now comprise just 6.5 percent of GDP. But the surplus that my colleagues expect to be there to pay for this tax cut depend on pushing that down to just 5 percent of GDP—a further cut of more than 20 percent.

But after years of defense cuts at the end of the Cold War, the Pentagon is asking for substantial increases to meet future threats. I agree with those who see the need for further investments in our nation's defense. If we actually increase defense spending to meet that request, we would have to cut the remaining functions of the federal government by almost forty percent.

Now, Mr. President, I hear a lot of calls for reasonable budgeting these days, but I don't hear many people calling for cutting forty percent from our law enforcement, education, or health care programs. For example, cuts of those size would eliminate health care for 1,439,000 of our country's veterans. Cuts of that size would eliminate $6.0 billion from the research into cancer and other diseases at the National Institutes of Health. Cuts of that size would require the FBI to cut over 4,000 agents from its current force of 10,600.

That's what a $800 billion tax cut would require, Mr. President—either cuts of unacceptable size in basic services, or, just as bad, we would simply return to the destructive path of deficit spending.

Mr. President, one thing that ought to sober us up is what Alan Greenspan has been saying about delaying any tax cut until the surpluses actually materialize. A downturn in the economy might justify the boost that would come from a tax cut. Twice he has come here to Congress in the past two weeks, to tell us that he continues to be concerned about our economy over the next 10 years. He warned that from happening.

Every American with a mortgage should think long and hard about the trade off between a tax break now and the long term costs that an increase in interest rates would mean. The Treasury Department estimates that a household in the lower 60 percent of the population—10 percent above the middle—would get just an average of $174 a year from the tax plan before us here today. But a one percent increase in a 7 percent mortgage on a $250,000 house amounts to over $2,000 a year in additional payments. That is not a windfall that any informed American would take, Mr. President.

If Greenspan thinks the economy is already at risk of overheating, imagine his reaction if we throw an $800 billion tax cut into his calculations the next time he considers increasing interest rates to stop any hint of inflation.

Everybody here knows that low interest rates and low inflation have been the keys that have unlocked the potential of our economy. I can't think of anything more likely to throw both of those keys out the window than a return to unbalanced budgets.

That is why I will oppose a tax cut of the size before us here today. Not because Americans don't deserve tax relief—of course they do. But they also deserve our best judgement about how we manage the public finances of their country after so many years of deficit financing. And as far as I'm concerned, I'll take my guidance from the common sense of the average American family and put first the priorities of debt reduction, Social Security and Medicare, funding national security and law enforcement, education and health care, and then, a more prudent, sensible tax cut.

Mr. DOMENICI. Mr. President, pursuant to section 313(c) of the Congressional Budget Act of 1974, I submit for the RECORD a list of material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313. The exclusion or inclusion of material on the following list does not constitute a determination of extraneousness by the Presiding Officer of the Senate.

Title III, subtitle E, sec. 345—Protection of Investment of Employee Contributions to 401(k) Plans—(b)(1)(A).
Title IX, sec. 906—Advance Pricing Agreements Treated as Confidential Taxpayer Information—(b)(1)(A).
Title X, subtitle C, sec. 1071—Study Relating to Taxable REIT Subsidaries—(b)(1)(A).
Title XIV, sec. 1401—Amendments Relating to Tax and Trade Relief Act of 1998—(b)(1)(A).
Title XIV, sec. 1403—Amendments Related to Taxpayer Relief Act of 1997—(b)(1)(A).
Title XIV, sec. 1404—Other Technical Corrections—(b)(1)(A).

Mr. HELMS. Mr. President, I genuinely appreciate the courtesy of the distinguished Chairman of the Finance Committee (Mr. ROTH) for allowing me to discuss an innovative new technology available to the dry cleaning industry.

Dr. Joe DeSimone, a highly-repected professor on the faculties of both the University of North Carolina at Chapel Hill and N.C. State University, in Raleigh has developed an environmentally safe, clean dry cleaning industry's reliance on hazardous chemicals as solvents.

My amendment will allow for a 20 percent tax credit to new and existing dry cleaners who purchase the equipment which uses non-toxic solvents. The equipment includes both wet cleaning and liquid carbon dioxide cleaning systems which are now readily available. In fact, the EPA recently published a case study extolling the benefits of carbon dioxide technology.

The Joint Tax Committee estimates the tax credit would decrease revenues by a little more than $500 million during the next 10 years. A modest price to pay considering the amount Americans rely on dry cleaners and by the fact that so many of these Americans bring potentially hazardous chemicals into their homes when they dry clean their clothes.

I believe that clarification of a Treasury regulation application to an international tax treaty would provide an ample offset for this tax credit. Let me briefly explain the current situation:

Just this month, a judge in New York overturned 19 years of tax treaty policy. The judge ruled that an existing regulation that permits the Treasury to allocate interest based on a company's worldwide operations did not comply with the 1980 treaty. I disagree. The regulations allowed the U.S. Treasury to disallow abusive tax strategies and make sure that these companies pay their fair share of taxes. Tax treaties are never intended to be a means to avoid taxes, simply a means to prohibit double taxation. This amendment will continue this policy and avoid a rush for billions of dollars in tax refunds by international corporations.

Mr. President, I ask unanimous consent that an article from the July 9 edition of The New York Times entitled "British Bank Wins Dispute With the IRS" be printed in the RECORD at the conclusion of my remarks.

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

(See Exhibit I.)
BRITISH BANK WINS DISPUTE WITH THE I.R.S.

JUDGE RULES TAX TREATY SUPERSEDES REGULATION

(From the New York Times, July 7, 1999)

Aẩm International Tax Lawyer

The case may cause a stampede by other banks to pursue similar legal remedies in their disputes with the United States Internal Revenue Service. The Treasury Department must now decide how to respond.

By NATHAN LEVY

The United States Supreme Court decision in the NatWest case has left the Treasury Department with a dilemma. The court ruled last week that NatWest, the British bank that had sought a $180 million tax refund from the United States Treasury, was entitled to the refund because the tax treaty that governs the tax treatment of profits earned in one country by a branch of a foreign bank was not overridden by a regulation issued by the Treasury Department.

The NatWest case is one of a series of tax disputes between the United States and its multinational companies that have been brought to the courts in recent years. The court's decision in the NatWest case is likely to be followed by other banks, which are seeking similar remedies in their disputes with the Treasury Department.

The NatWest case is significant because it raises important questions about the role of tax treaties in international taxation. Tax treaties are agreements between countries that govern the taxation of income earned by a foreign company's subsidiary in a foreign country. The purpose of tax treaties is to prevent double taxation of income earned by a foreign company's subsidiary in a foreign country.

The NatWest case is also significant because it raises important questions about the role of the Treasury Department in the administration of tax treaties. The Treasury Department is responsible for enacting regulations that implement tax treaties. The NatWest case suggests that the Treasury Department may have been overreaching in its efforts to implement tax treaties.

The NatWest case is likely to be followed by other banks, which are seeking similar remedies in their disputes with the Treasury Department. The NatWest case is also likely to be followed by other countries, which are seeking similar remedies in their disputes with the United States.

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Mr. President, it could not be any clearer to any rational human being that the Republican tax cut plan is an extremely unsound, cuts in spending on national priorities that would be called for to cover this Republican tax cut plan, to reduce the $996 billion projection by at least $36 billion per year; and their deficit/surplus projections have been off by an absolute average of $54 billion per year over the past two decades. If these averages hold up over the next 10 years, the trillion-dollar non-social security surpluses could be slashed by $540 billion purely due to mis-estimates by the Congressional Budget Office. Further, as CBO states in virtually every report that they publish, cyclical disturbances such as recessions, changes in interest rates, inflation, etc., could have significant effects on their projected surpluses at any time during the projection period.

Then, there is the question of emergency spending. As Senators are aware, under the Budget Enforcement Act, all non-defense program emergencies, which cannot be predicted accurately and, therefore, are not budgeted, are allowed to be funded outside the spending caps that have been in place since 1990 and which will remain in place through FY2002. The fact is, emergency spending over the past decade (other than spending for Desert Storm/Desert Shield and the $21 billion in emergency spending in the FY1999 Omnibus Appropriations Act) has averaged $8 billion per year. In other words, but for those two instances, Congress has enacted spending outside of the budgetary caps for such things as disaster assistance to the nation’s farmers, relief for victims of floods, hurricanes, tornadoes, and earthquakes, as well as assistance for victims of similar occurrences overseas.

That type of assistance has averaged $8 billion per year since 1990. There is no indication that these natural disasters will suddenly cease. To the contrary, there is substantial evidence that they have become more frequent and more severe in the latter part of this Century. What does this mean? It means that it is highly likely that over the next decade, at least $80 billion in emergency spending will be needed. But, the case is made that the $996 billion in non-social security surpluses projected by CBO, the large bulk of which results from real cuts in national priorities, does not allow for any emergency spending over the next 10 years. That being the case, wouldn’t it be prudent to reduce the $996 billion projection by at least the $80 billion historical average per decade that we have seen in the past? After so doing, even if Congress and the Administration will enact spending levels which will not only use up the remaining $8 billion, but also eat into the Social Security surplus projected for that year, but will also eat into the Social Security Trust Fund surpluses by at least $13 billion. So much for the Social Security Lock-box! Congress has already found the key that unlocks it. What about next year, when the spending caps are much tougher to stay within?

Next, let’s look at the question of whether Congress can, or should, stay within the spending caps for FY2000, much less the more difficult caps of FY2001 and FY2002. One need only pick up the morning newspaper on any one of the past several days to find an article or two discussing the progress, or lack thereof, that the Appropriations Committees are making in completing action on the FY2000 funding bills. Recently, it is reported, the House Appropriations Committee found that the VA-HUD Subcommittee could not stay within its allocations without declaring some $3 billion in funding for VA medical care, as well as $2.5 billion in FEMA funding, as “emergency” spending, which as I have explained earlier, does not count against the spending caps, but will, nonetheless, cut the non-social security surplus. Additionally, some $4.5 billion has been declared emergency spending for the Decennial Census by the House Appropriations Committee. Those three items alone, if enacted as emergency spending, will cut the projected FY2000 surplus by $10 billion. Furthermore, as CBO points out on page 6 of their mid-Session Review, they have been directed by the Budget Committees to reduce their outlay projections in FY2000 by $10 billion for defense, $1 billion for transportation, and $2 billion for other non-defense programs. That knocks another $14 billion dent in CBO’s non-social security surplus projections for FY2000. On that same page, CBO also points out that their non-social security surplus projections exclude some $3 billion per year in spending for the administrative expenses of the Social Security Administration. When all of these factors are taken into account, for FY2000, actions by Congress to date have already added emergency spending of some $10 billion; and have increased outlays by $14 billion. This $24 billion, together with the $3 billion in administrative expenses for the Social Security Administration, means that Congress is likely to not only spend all up the $14 billion FY2001 non-social security surplus projected by CBO, but, actually, to exceed it by at least $13 billion. In other words, it is highly likely that for FY2000 alone, Congress and the Administration will enact spending levels which will not only use up the remaining $8 billion, but also eat into the Social Security surplus projected for that year, but will also eat into the Social Security Trust Fund surpluses by at least $13 billion. So much for the Social Security Lock-box! Congress has already found the key that unlocks it. What about next year, when the spending caps are much tougher to stay within?

In closing, Mr. President, let me quote from the text of a recent statement by 50 of the Nation’s most revered economists, including six Nobel laureates, concerning the tax cuts now before the Senate.

The federal budget is projected to show substantial surpluses over the next 15 years. These surpluses offer an exceptional opportunity to pay down government debt and thereby strengthen Social Security and Medicare in order to prepare for the retirement of the baby boomers . . .

In contrast, a massive tax cut that encourages consumption would not be good economic policy. With the unemployment rate at its lowest point in a generation, now is the wrong time to stimulate the economy through tax cuts. Moreover, an ever growing tax cut would drain government resources just when the aging of the population starts to put substantial stress on Social Security and Medicare. Further, the projections assume substantial undesirable reductions in real spending for non-entitlement programs, including important public investments. Given the uncertainty of long-term budget projections, committing to a large tax cut would create significant risks to the budget and the economy.

Mr. President, it could not be any clearer to any rational human being that the Republican tax cut plan is exactly the wrong fiscal blueprint for the Nation as we enter the next Millennium. As I have shown, it is highly unlikely that these forecasts will come true. The fact is, emergency spending over the next 10 years, the trillion-dollar non-social security surpluses could be slashed by $540 billion purely due to mis-estimates by the Congressional Budget Office. Further, as CBO states in virtually every report that they publish, cyclical disturbances such as recessions, changes in interest rates, inflation, etc., could have significant effects on their projected surpluses at any time during the projection period. Then, there is the question of emergency spending. As Senators are aware, under the Budget Enforcement Act, all non-defense program emergencies, which cannot be predicted accurately and, therefore, are not budgeted, are allowed to be funded outside the spending caps that have been in place since 1990 and which will remain in place through FY2002. The fact is, emergency spending over the past decade (other than spending for Desert Storm/Desert Shield and the $21 billion in emergency spending in the FY1999 Omnibus Appropriations Act) has averaged $8 billion per year. In other words, but for those two instances, Congress has enacted spending outside of the budgetary caps for such things as disaster assistance to the nation’s farmers, relief for victims of floods, hurricanes, tornadoes, and earthquakes, as well as assistance for victims of similar occurrences overseas.

That type of assistance has averaged $8 billion per year since 1990. There is no indication that these natural disasters will suddenly cease. To the contrary, there is substantial evidence that they have become more frequent and more severe in the latter part of this Century. What does this mean? It means that it is highly likely that over the next decade, at least $80 billion in emergency spending will be needed. But, the case is made that the $996 billion in non-social security surpluses projected by CBO, the large bulk of which results from real cuts in national priorities, does not allow for any emergency spending over the next 10 years. That being the case, wouldn’t it be prudent to reduce the $996 billion projection by at least the $80 billion historical average per decade that we have seen in the past? After so doing, even if Congress and the Administration will enact spending levels which will not only use up the remaining $8 billion, but also eat into the Social Security surplus projected for that year, but will also eat into the Social Security Trust Fund surpluses by at least $13 billion. So much for the Social Security Lock-box! Congress has already found the key that unlocks it. What about next year, when the spending caps are much tougher to stay within?

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In contrast, a massive tax cut that encourages consumption would not be good economic policy. With the unemployment rate at its lowest point in a generation, now is the wrong time to stimulate the economy through tax cuts. Moreover, an ever growing tax cut would drain government resources just when the aging of the population starts to put substantial stress on Social Security and Medicare. Further, the projections assume substantial undesirable reductions in real spending for non-entitlement programs, including important public investments. Given the uncertainty of long-term budget projections, committing to a large tax cut would create significant risks to the budget and the economy.

Mr. President, it could not be any clearer to any rational human being that the Republican tax cut plan is exactly the wrong fiscal blueprint for the Nation as we enter the next Millennium. As I have shown, it is highly unlikely that these forecasts will come true.
true. Even if they do, some $80 billion in emergency spending for natural disasters has never been accounted for; another $30 billion in administrative costs of the Social Security Administration has not been accounted for; and the budget caps for FY2000 alone are likely to be exceeded by over $20 billion. Now is not the time to return to the failed economic policies that prevailed during the Reagan-Bush years. Rossy Scenario in all her splendor could not make their policies work. The same is true of the policies that would be undertaken if we were to enact this Republican tax cut.

Mr. KENNEDY. Mr. President, very few decisions we make in Congress will have more impact on the long-term economic well-being of our nation than how we allocate the projected surplus. By our votes this week, we are setting priorities that will determine whether the American economy is on firm ground or dangerously shifting sand as we enter the 21st century. These votes will determine whether we have the financial capacity to meet our responsibilities to future generations, and whether we have fairly shared the economic benefits of our current prosperity. Sadly, the legislation before us today fails all of these standards. We should vote to reject it.

A tax cut of the enormous magnitude proposed by our Republican colleagues would reverse the sound fiscal management which has created the inflation-free economic growth of recent years. That is the clear view of the two principal architects of our current prosperity—Robert Rubin and Alan Greenspan. Devoting the entire on-budget surplus to tax cuts will deprive us of the funds essential to preserve Medicare and Social Security for future generations of retirees. It will force harsh cuts in education, in medical research, and in other vital domestic priorities. This tax cut jeopardizes our financial future—and it also dismally flunks the test of fairness. When fully implemented, the Republican plan would give 75% of the tax cuts to the wealthiest 20% of the population. The richest 1%—those earning over $300,000 a year—a would receive tax breaks as high as $23,000 a year, while working men and women would receive an average of only $139 a year.

Republicans claim that the ten year surplus is three trillion dollars and that they are setting two-thirds of it aside for Social Security, and only spending one-third on tax cuts. That explanation is grossly misleading. The two trillion dollars they say they are giving to Social Security already belongs to Social Security. It consists of payroll tax dollars expressly raised for the purpose of paying future Social Security benefits. Using those dollars to fund tax cuts or new spending would be to raid the Social Security Trust Fund. The Republicans are not providing a single new dollar to help fund Social Security benefits for future generations. They are not extending the life of the Trust Fund for one day. It is a mockery to characterize those payroll tax dollars as part of the surplus.

That leaves the $996 billion on-budget surplus as the only funds available to address all of the nation’s unmet needs over the next ten years. Republicans propose to use that entire amount to fund their tax cut scheme. Since CBO projections assume that all surplus dollars are devoted to debt reduction, the $996 billion figure includes nearly $200 billion in debt service savings. The amount which is available to be spent—either to address public needs or to cut taxes—is only slightly above $800 billion. Their $792 billion tax cut will consume the entire surplus.

Even more troubling, the Republican tax cut has been designed to expand dramatically beyond the tenth year. The cost between 2010 and 2019 will dwarf the cost in the first decade. It will rise from $800 billion to $2 trillion dollars. And the cost of the debt service payments necessitated by a tax cut of that magnitude will grow exponentially as well. The GOP plan will usher in a new era of deficits—just as the baby boom generation is reaching retirement age.

While the Senate Rules have been invoked to prevent the current tax cut from going beyond ten years, the Republican leadership has made clear their intent to make these massive cuts permanent. If these tax cuts were to become permanent, they would precipitate a genuine fiscal crisis.

Most Americans understand the word "surplus" to mean dollars remaining after all financial obligations have been met. If that common sense definition is applied to the federal budget, the surplus would be far smaller than $996 billion.

We have existing obligations which should be our first responsibility. We have an obligation to preserve Medicare for future generations of retirees, and to modernize Medicare benefits to include prescription drug assistance. The Republican budget does not provide one additional dollar to meet these needs.

The American people clearly believe that strengthening Social Security and Medicare should be our highest priorities for using the surplus. By margins of more than two to one, they view preserving Social Security and Medicare as more important than cutting taxes.

We should use the surplus to meet these existing responsibilities first, in order to fulfill the promise of a secure retirement with access to needed medical care. If we do nothing, Medicare will become insolvent by 2015. The surplus gives us a unique opportunity to preserve Medicare, without reducing medical care or raising premiums. The Republican tax cut would take that opportunity away. It would leave nothing for Medicare.

We must seize this opportunity. Senate Democrats have proposed committing one-third of the surplus—$290 billion over the next ten years—to strengthening Medicare and to assisting senior citizens with their prescription drugs. The Administration’s 15 year budget plan provides an additional $500 billion for Medicare between 2010 and 2014. Enactment of the Republican tax cut would make this $500 billion transfer to Medicare impossible. If we squander the entire surplus on tax breaks, there will be no money left to keep our commitment to the nation’s elderly.

Unless we use a portion of the surplus to strengthen Medicare, senior citizens will be confronted with nearly a trillion dollars in health care cuts and premium increases. We know who the people are who will be asked by the Republicans to carry this burden.

The typical Medicare beneficiary is a widow, seventy-six years old, with an annual income of $10,000. She has one or more chronic illnesses. She is a mother and a grandmother. Yet the Republican budget would force deep cuts in her Medicare benefits, in order to pay for new tax breaks for the wealthy. As a result, elderly women will be unable to see their doctor. They will go without needed prescription drugs or without meals or heat, so that wealthy Americans earning hundreds of thousands of dollars a year can have additional thousands of dollars a year in tax breaks.

The projected surplus also assumes drastic cuts in a wide range of existing programs over the next decade—cuts in domestic programs such as education, medical research, and environmental cleanup; and cuts in national defense. We have an obligation to adequately fund these programs. If existing programs merely grow at the rate of inflation over the next decade and no new programs are created and no existing programs are expanded, the surplus would be reduced by $384 billion dollars. That is the amount it will cost to merely continue funding current discretionary programs at their inflation-adjusted level. In fact, the real surplus over the next ten years is only slightly above $200 billion, roughly one-quarter the size of the proposed Republican tax cut.

In other words, the Republican tax cut would necessitate more than a ten percent across the board cut in discretionary spending—in both domestic and national defense—by the end of the next decade. If defense is funded at the Administration’s proposed level, and it is highly unlikely that the Republican Congress will do less, domestic spending would have to be cut 38% by 2009. No one can reasonably argue that cuts that deep should be made, or will be made.
We know what cuts of this magnitude would mean in human terms by the end of the decade. We know who will be hurt: 375,000 fewer children will receive a Head Start; 6.5 million fewer children will participate in Title I education programs; 14,000 fewer biomedical research grants will be available from the National Institutes of Health; 1,431,000 fewer veterans will receive V.A. medical care; and there will be 6,170 fewer Border Patrol agents and 6,342 fewer FBI agents insuring safer communities. These are losses that the American people are not willing to accept.

The Democratic alternative would restore $290 billion, substantially reducing the size of the proposed cuts. A significant reduction would still be required over the decade. One thing is clear—even with a bare bones budget, we cannot afford a tax cut of the magnitude the Republicans are proposing.

Our Republican friends claim that these enormous tax cuts will have no impact on Social Security because they are not using payroll tax revenues. On the contrary, the fact that the Republican budget commits every last dollar of the on-budget surplus to tax cuts does imperil Social Security.

First, revenue estimates projected ten years into the future are notoriously unreliable. As the Director of the Congressional Budget Office candidly acknowledged:

Ten year budget projections are highly uncertain. In the space of only six months, CBO’s estimate of the cumulative surplus has increased by nearly $300 billion. Further changes of that or a greater magnitude are likely—in either direction—as a result of economic fluctuations, administrative and judicial actions, and other developments.

Despite this warning, the Republican tax cut leaves no margin for error. If we count the surplus dollars and the full surplus does not materialize, Social Security revenues will be required to cover the shortfall.

Second, even if the projected surplus does materialize, the cost of the Republican budget exceeds the surplus in five of the next ten years—2005, 2006, 2007, 2008, and 2009. Unless the Republican proposal is restructured, Social Security revenues will be required to cover the shortfall in each of those years.

Third, the Republican tax cut leaves no money to pay for emergency spending, which has averaged $9 billion a year in recent years. Over the next decade, we are likely to need approximately $50 billion to cover emergency needs, an amount that was almost reached in 1987. With the entire surplus spent on tax cuts, the Social Security Trust Fund will have to fund these emergency costs as well.

The three threats to Social Security I have described are very real. However, there is an even greater impact of the Republican plan on the future of Social Security. As I noted earlier, that plan does not provide Social Security with a single new dollar to fund future benefit payments.

Social Security. As I noted earlier, our administration has proposed using a major portion of the surplus to strengthen Social Security for future generations of retirees. Beginning in 2011, the President’s budget allocates to Social Security the savings which will result from debt reduction. Between 2011 and 2014, the Social Security Trust Fund would receive 543 billion new dollars from the surplus, and it would receive an additional $189 billion each year after that. As a result, the solvency of Social Security will be extended for a generation, to well beyond 2050.

The Republican tax cut proposal, which costs over $2 trillion between 2010 and 2019, will consume all of the surplus dollars which were intended for Social Security. There will be nothing left for Social Security. As a result, no new dollars will flow into the Trust Fund, and the future of Social Security will remain clouded.

For two-thirds of America’s senior citizens, Social Security retirement benefits provide more than 50% of their annual income. Without Social Security, half the nation’s elderly would be living in poverty. Social Security enables millions of senior citizens to spend their retirement years in security and dignity. A Republican tax cut of the magnitude proposed here today will put their retirement security in serious jeopardy.

The votes which we cast this week—the choices which we are required to make—will say a great deal about our values. We should use the surplus as an opportunity to help those in need—senior citizens living on small fixed incomes, children who need educational opportunities, millions of men and women who may well depend on medical research and access to quality health care. We should not use the surplus to further enrich those among us who are already the most affluent. The issue is a question of fundamental values and fundamental fairness.

The Republican tax cut would consume the entire surplus, and distribute the overwhelming majority of it to those with the highest incomes. The authors of the Republican plan have highlighted the reduction of the 15% tax bracket to 14%. They have pointed to this as middle class tax relief. But that relief is only a small part of the overall tax breaks in their bill. It accounts for only $216 billion of the $792 billion in GOP tax cuts. Most of the remaining provisions are heavily weighted toward the highest income taxpayers.

If the Republican plan were enacted and fully implemented, nearly 50% of the tax benefits would go to the richest 5% of taxpayers, and more than 75% of the benefits would go to the wealthiest 20%. Those with annual incomes exceeding $300,000 would receive tax breaks of $23,000 per year. The lowest 60% of wage-earners would share less than 11% of the total tax cuts—they would receive an average tax cut of only $139 per year. That gross disparity is unfair and unacceptable.

This is not the way the American people want to spend their surplus. I urge my colleagues to reject this bill. The American people deserve better than this.

Mr. DASCHLE. Mr. President, as the debate on the Senate's version of the reconciliation tax bill winds down, I wanted to come to the floor and say a few words about where we are in this process, how we got here, and where I think we ought to go.

Let me begin by saying that the discussions we have seen on the Senate floor these past few days should lead all of my colleagues—Democratic and Republican alike—to agree on one thing: the issues affected by this bill—Social Security, Medicare, education, tax relief—are serious and should not fall prey to political gamesmanship. It is not an overstatement to say that the nation's economic and fiscal health are at stake. What we do on these issues will affect the lives of millions of Americans for decades to come.

The discussion has also revealed another truth. The deep hole course for this nation and its people as we head into the 21st century is really a tale of two paradigms.

The Republican vision for the future is to replay the past. They would have us follow their economic policies of the 1980s, a course that can best be characterized as one of wishful thinking and fiscal disaster. This is a course of irresponsible tax breaks for the wealthiest among us. This is a course of voodoo economics, where providing huge tax breaks to the wealthiest was somehow beneficial and reduce government deficits.

As history demonstrates, this really was a course of rosy scenarios and disastrous results. The benefits of their tax breaks were, not surprisingly, essentially confined to the wealthiest. Small deficits turned into massive ones. Government debt exploded, quadrupling in the 1980s. Unemployment averaged 7.1 percent in the previous decade. Median family income fell $1,825 in just four years. Welfare rolls were up 22 percent.

The Democratic vision for the future is to continue along the path we set forth in 1993, a path marked by fiscal responsibility and economic prosperity. Just to remind my colleagues of what we have accomplished since we embarked on this road, let me talk about the state of our economy when President Clinton took office. The deficit in 1992 was $290 billion and projected to grow to over $500 billion by the end of the decade and to continue
The Republican majority is about to fail on three counts. By our unmatched fiscal strength, the historic opportunity afforded this body would have again proposed massive cuts in education, the cuts to all remaining discretionary programs would have to be cut by 38 percent—nearly double that experienced during the Reagan-Bush years. Unemployment is just over four percent—roughly one-half the level during the Reagan-Bush years. Median income for a family of four is up $3,500 since 1993. Welfare rolls are down 35 percent since 1994.

These are the two choices presented during this debate—whether we step back into a past filled with record deficits and debt or continue moving forward to sustain the economic and fiscal progress we have achieved since 1993. The question for the Congress and the American people is which road will we take—the dangerous one or the responsible one? Will we build on our success or put our national health at risk?

After carefully listening to the debate, it is apparent to me that many on the other side of the aisle would like to do it all over again. I have heard some of the same old, dangerous rhetoric and false rosy scenarios I heard in the early 1980s. Like then, I have heard mischievous threats to cut all remaining discretionary programs. They have again heard talk of irresponsible national policy. Their tax cuts would reverse the progress of the 1990s—precisely when the baby boomer generation is retiring and resources are needed if the federal government is to keep its commitments on Social Security and Medicare. Finally, the majority has chosen to pursue this course in the face of a certain Presidential veto, should the bill reach the President's desk in something even close to its current form.

Instead of wasting the precious time of this Congress and the American people, it would have been better if Republicans had opted to work together with Democrats to develop a fiscally responsible plan that could get the President's signature. Democrats have offered the major parts of such a plan during this debate. Our plan consists of five components. Democrats protect the entire $1.9 trillion Social Security surplus; every dollar, every year. Democrats strengthen and modernize Medicare by setting aside a portion of the on-budget surplus to extend solvency and provide a prescription drug benefit for Medicare beneficiaries. Democrats pay down the federal government's publicly held debt, and, if our course is followed, eventually eliminate it. Democrats invest some of the non-Social Security surplus in critical priorities, such as defense, education, veterans' health, agriculture, and NIH. Finally, Democrats believe in a significant, responsible tax cut.

It is projected there will be sufficient resources to do all of this. Yet, Republicans refuse to do most of it. Instead, they choose to follow a course that has become all too familiar to Americans. Republicans claimed they had to pursue ideologically extreme positions that best serve special interests instead of the needs of ordinary, hard-working Americans. The Senate has seen this before, on the overall budget plan, on juvenile justice, and, most recently, on the Patients' Bill of Rights.

This is not a political game. We face serious challenges and historic opportunities. We have wasted precious time. The list of unresolved items that the Senate should address is a long one. And time is short. I hope that when we come back next week and in September, Republicans will discard their agenda written by special interests and pursue the people's agenda. If they do not, we must accomplish much together. If they do not, the American people will be the losers.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask an unanimous consent that the order for the yeas and nays be suspended. The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, we are now ready for final passage.

I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill pass?

The yeas and nays are ordered, and the clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 57, nays 43, as follows:

[Rollcall Vote No. 247 Leg.]
FURTHER MODIFICATION TO AMENDMENT NO. 1426

Mr. ROTH. Mr. President, I ask unanimous consent that the Torricelli previously agreed to amendment be modified as follows, and I send it to the desk.

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

The amendment (No. 1426), as further modified, is as follows:

On page 32, strike lines 6 through 11, and insert the following:

(1) **IN GENERAL.**—Subparagraph (E) of section 56(b)(1) is amended to read as follows:

''(E) SPECIAL RULE FOR CERTAIN DEDUCTIONS.—The standard deduction under section 66(b) shall not be allowed and the deduction for personal exemptions under section 151 and the deduction under section 64(b) shall each be allowed, but shall each be reduced by the lesser of:

''(1) the net capital gain of the taxpayer for the taxable year, or

''(2) $2,000."

(b) **SALES BETWEEN RELATED PARTIES.**—Gains from sales and exchanges to any related person (within the meaning of section 267(b) or 707(b)(1)) shall not be taken into account in determining net capital gain.

''(c) SPECIAL RULE FOR SECTION 1250 PROPERTY.—So long as of purpose for this section, in applying section 1250 to any disposition of section 1250 property, any depreciation adjustments in respect of the property shall be treated as additional depreciation.

(d) **APPLICATION TO APPLY TO CERTAIN TAXPAYERS.**—No deduction shall be allowed under this section to—

''(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins,

''(2) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

''(3) an estate or trust.

''(e) **SPECIAL RULE FOR PASS-THRU ENTITIES.**—

(1) **IN GENERAL.**—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

(2) **PASS-THRU ENTITY DEFINED.**—For purposes of paragraph (1), the term ‘pass-thru entity’ means:

''(A) a regulated investment company,

''(B) a real estate investment trust,

''(C) an S corporation,

''(D) a partnership,

''(E) an estate or trust, and

''(F) a common trust fund.

(b) **COORDINATION WITH MAXIMUM CAPITAL GAINS RATE.**—Paragraph (3) of section 1(h) (relating to maximum capital gains rate) is amended to read as follows:
The taxable year, plus (b) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(ii)." (c) Deduction Allowable in Computing Adjusted Gross Income.—Subsection (a) of section 163(d) (defining adjusted gross income) is amended by inserting after paragraph (17) the following new paragraph: 

"(18) Long-term capital gains.—The deduction allowed by section 1292." (d) Treatment of Collectibles.—

(1) In General.—Section 1222 (relating to special rule for collectibles) is amended by inserting after paragraph (12) the following new paragraph:

"(13) Long-term capital gains.—For purposes of this subsection, the term 'collectible' means any property (other than section 1222 stock) which is a collectible by reason of subparagraph (A), any gain from the sale or exchange of a collectible shall be treated as gain from the sale or exchange of a collectible held by such entity shall be treated as gain from the sale or exchange of a collectible, Rules similar to the rules of section 1231 shall apply for purposes of the preceding sentence.

"(C) Collectible.—For purposes of this paragraph, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof)."

(2) Charitable Deduction Not Affected.—

(A) Paragraph (a) of section 170(a) is amended by adding at the end the following new sentence: "For purposes of this paragraph, section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)."

(B) Clause (iv) of section 170(b)(1)(C) is amended by inserting before the period at the end the following: "and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)."

(e) Conforming Amendments.—

(1) Section 57(a)(7) is amended by striking "1292" and inserting "1293".

(2) Clause (ii) of section 163(d)(4)(B) is amended to read as follows:

"(iii) the sum of—

"(I) the portion of the net capital gain referred to in clause (i)(II) or, if lesser, the net capital gain referred to in clause (ii)(I) taken into account under section 1232, reduced by the amount of the deduction allowed with respect to such gain under section 1231 plus—

"(II) so much of the gain described in subclause (I) which is not taken into account under section 1232 and which the taxpayer elects to take into account under this clause." (3) Subparagraph (B) of section 172(d)(2) is amended to read as follows:

"(B) Deductions under section 1292 and the exclusion under section 1293 shall not be allowed." (4) Section 642(c)(4) is amended by striking "1292" and inserting "1293".

(5) Section 643(a)(3) is amended by striking "1292" and inserting "1293".

(6) Paragraph (4) of section 691(c) is amended by inserting "1293," after "1292".

(7) The second sentence of section 871(a)(2) is amended by inserting "or 1293" after "section 1292".

(8) The last sentence of section 104(d) is amended by striking "1292" and inserting "1293".

(9) Paragraph (1) of section 1402(1) is amended by inserting "and the deduction provided by section 1292 and the exclusion provided by section 1293 shall not apply" before the period at the end.

(10) Section 121 is amended by adding at the end the following new subsection:

"(h) Cross Reference.—

"For treatment of eligible gain not excluded under subsection (a), see section 1292." (11) Section 1203, as redesignated by subsection (a), is amended by adding at the end the following with section 1292:

"(I) Cross Reference.—

"For treatment of eligible gain not excluded under subsection (a), see section 1292." (12) The table of sections for part I of subtitle P of chapter 1 is amended by striking the item relating to section 1292 and by inserting after section 1292 the following new items:

"Sec. 1292. Capital gains deduction.

"Sec. 1293. 50-percent exclusion for gain from certain small business stocks.

(6) Effective Dates.—

(1) In General.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2005.

(2) Collectibles.—The amendments made by subsection (d) shall apply to sales and exchanges after December 31, 2006.

AMENDMENT NO. 106

(Purpose: to correct Title III manager’s amendment)

The PRESIDING OFFICER. Under the previous order, amendment No. 1496 is agreed to.

(The text of the amendment is printed in today’s RECORD under “amendments submitted.”)

Mr. ROTH. I ask unanimous consent that the Senate proceed to the consideration of the House companion bill, Calendar No. 234, H.R. 2480. I further ask consent that all after the enacting clause be stricken, and the text of the Senate bill be inserted in lieu thereof, the bill then be read for the third time and passed, and a motion to reconsider be laid upon the table. I also ask consent that the Senate then insist on its amendment and request a conference with the House. I finally ask consent that the passage of S. 1429 be vitiated and the bill be placed back on the calendar.

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

The bill (H.R. 2480), as amended, was passed.

(The bill will be printed in a future edition of the RECORD.)

Mr. BIDEN. Mr. President, I rise first to compliment my senior colleague from Delaware on his effectiveness. We agree on an awful lot of things. We disagree on this tax bill, but that in no way diminishes my admiration for his effectiveness. As a matter of fact, this is one of the few occasions I wish he were not as effective as he has been.

I compliment him and I echo the comments of my friend from New York who said he is held in affection by Members on both sides of the aisle. I am first among those. I congratulate him for his success. I will not use the word ‘deplore,’ but I disagree strongly with the outcome. However, I admire the way in which he—and maybe only he—could have been able to put this together.

Mr. ENZI. Mr. President, I congratulate the chairman of the Finance Committee and the ranking member of the Finance Committee for the outstanding work they have done together through this week to bring together a bill that could have bipartisan support in the Senate.

I particularly thank Senator Roth for the depth of understanding he has on tax issues, the way he has worked across the aisle, the way he has worked through such a variety of measures. There were over 126 amendments we have just done. He understood and worked through and negotiated those into a package that I hope will be accepted by the House and signed by the President.

As the accountant in the Senate, I have been fascinated by the debate we have had this week. I volunteered to serve late a couple of nights. For us accountants, what we have seen here this week has been live entertainment—some of the finest stuff you can see on television.

I know my fellow accountants across the nation have been watching. While we did not get the simplification we would have liked to have had, and that simplification is necessary for the American people, we have gotten some very exciting, necessary provisions, some provisions where all Americans can get some tax savings when they file their tax returns.

I also associate myself with the remarks of the Senator from Wyoming comment on the effectiveness. As a matter of fact, this is one of the few occasions I wish he had been more effective as he has been.

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important landmark tax relief legislation the Senate passed today. I believe, in taking the step we did today, in lowering the tax burden upon the American people from 21 percent of GDP to 20 percent of the gross domestic product, we have taken a modest but a very important step in providing relief to all Americans. I commend the Senate today, and the staff, and ask the President to reconsider his proposed veto.

MORNING BUSINESS

Mr. HUTCHINSON. Mr. President, I ask unanimous consent the Senate now proceed to a period of morning business with Senators permitted to speak for up to 10 minutes each. The PRESIDING OFFICER. Without objection, it is so ordered.

BALCAN HISTORICAL PARALLELS

Mr. BIDEN. Mr. President, yesterday the Committee on Foreign Relations held a reprise on the prospects for democracy in Yugoslavia. Testifying were two of the Administration’s top Balkan experts, two leading representatives of the non-governmental organization community with wide and deep experience in the Balkans, the executive director of the Office of External Affairs of the Serbian Orthodox Church in the United States, and a courageous woman from Belgrade who chairs the Helsinki Committee for Human Rights in Serbia.

One of the many topics raised during this hearing was the question of the correctness of the decision of the United States to refuse to give reconstruction assistance—as distinct from humanitarian assistance—to Serbia as long as the Federal Republic of Yugoslavia is ruled by a government that is in alliance with terrorist allies occupied the country, diverting responsibility into four zones. The Soviets quickly made clear their intention to impose communism in what became East Germany, and Stalin pressured the East Germans and other satellite countries to refuse the offer of Marshall Plan aid. In the U.S., British, and French zones of Germany, however, hundreds of thousands of troops and civilian officials essentially ran political life until the Federal Republic of Germany was established in 1949, and allied troops have remained until today.

It may well be that in order to bring Serbia into the family of democratic nations just such an international occupation would have to happen, but it is simply not in the cards.

So, Mr. President, the alleged parallel of today’s Serbia with post-war Germany is totally inappropriate.

There is, however, a historical parallel chronologically much closer to today, which is, in fact, an appropriate one. That is the case of the Republika Srpska, one of the two entities of Bosnia and Herzegovina. After the Dayton Accords were signed in late 1995 and the two entities—the Bosniak-Croat Federation and the Republika Srpska—were established, the Congress of the United States put together a reconstruction assistance package. Because of the brutal crimes of the Bosnian Serbs under Radovan Karadzic from 1992 to 1995, the legislation excluded the newly formed Republika Srpska, then under Karadzic’s control, from any reconstruction assistance except for infrastructural projects like energy and water, which spanned the inter-entity boundary line with the Federation. That meant that in the immediate post-Dayton period the Federation received about ninety-eight percent of the economic resuscitation assistance as long as their current leaders stayed in office.

The result was a reform movement, initially led by Mrs. Plavsic, who legally wrested control from the Pale thugs and moved the capital of the Republika Srpska to Banja Luka. Last year she lost an election, but the government of the Republika Srpska is now led by Prime Minister Dodik, a genuine democrat, who has survived attempts from Belgrade by Milosevic to unseat him, is supported by a multi-ethnic parliamentary coalition, kept the lid on the situation during the Yugoslav air campaign, and now is beginning to implement Dayton.

The situation in Bosnia, as we all know, is far from satisfactory, but real progress has been made and back to my original point, in the Republika Srpska we have the real historical parallel of a policy of excluding a government from economic reconstruction assistance as long as it is ruled by an indicted war criminal or his puppet.

I hope this discussion of historical precedents may be helpful as the Senate continues to debate our Balkan reconstruction policy.

REGULATORY OPENNESS AND FAIRNESS ACT OF 1999

Mr. BURNS. Mr. President I rise today to speak on the Regulatory Openness and Fairness Act of 1999, of which I am an original cosponsor.

This legislation will ensure that the Food Quality Protection Act (FQPA) will carry out its original intent while protecting agricultural producers from unnecessary regulations. The FQPA, which was put in place to ensure that highest level of food safety. This is a necessary and worthwhile goal. However, the EPA currently makes rulings that are based on data