proprietorships and businesses that are not held in stock or in corporations. That is exactly what we are attempting to do.

I am always amazed that the other side will come to the floor and say: Well, this is a great idea, but then again we ought to consider this or that, and maybe we ought not to do that, and that somehow it is wrong to generate wealth in our society and to want to be able to pass it on to our children and grandchildren.

Shame on those who want to deny the American dream. Shame on those who want to deny the energy and the spirit that has created this country and made it the greatest country ever known on the face of the Earth—a country great for its ability to allow individual citizens to grow and generate wealth in business. That is what this debate is fundamentally about. So anybody who wants to come to the floor and deny us as a Congress, as a people, the right to deal with this issue in a fair and equitable way simply denies the average citizen of this country the American dream.

Let us not get lost in the words. Let us not get lost in the phraseology about a little bit here and a little bit there, and we have to have all this money to spend in Government. This is the time of the greatest prosperity in the history of this country. There are articles out there saying that the surplus is going to double and triple into the trillions of dollars; yet we still have in the law a situation that says: If you die, you lose. If you die, the Government gets your work. If you die, all of the lifetime you have spent building a little business, a farm, or a ranch is somehow no longer yours.

I am sorry, but I am not going to get fouled up in the rhetoric, and I am going to continue to come to the floor to try to cut through the silly philosophy that somehow the Government has a right to all your money. What we have here is a responsible and legitimate piece of legislation to change the tax law of this country to gradually move us out of the situation that says if you die, you sell your business and the Government gets the money. What is wrong with medium- and small-size businesses that are not large corporations or stock-held businesses? What is wrong with allowing your children to have them, if they want them to continue that business and continue that legacy?

That is the issue that is before us. That is what is embodied in H.R. 8.

I suggest that anybody who would want to say something different—whether it is on the minor side, or whether they want to use the politics of the day to deny this to the average American—shame on you. I don't see any good politics in that kind of bad politics.

Mr. REID. Mr. President, I failed to be courteous to my friend from Idaho for allowing me to interrupt. I express my appreciation for his willingness to do that.

Mr. CRAIG. I thank the Senator from Nevada.

RECESS

The PRESIDING OFFICER. Under the previous order, the hour of 12:30 having arrived, the Senate will stand in recess until the hour of 2:16 p.m.

Thereupon, the Senate, at 12:31 p.m., recessed until 2:16 p.m., whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. INHOFE).

The PRESIDING OFFICER. The Senator from Minnesota.

DEATH TAX ELIMINATION ACT—MOTION TO PROCEED

Mr. WELLSTONE. Mr. President, let me, first of all, mention to colleagues when we look at this estate tax bill, the Center on Budget and Policy Priorities—and I think their work has been impeccable—points out that fewer than 1.9 percent of the 2.3 million people who died in 1997 had any tax levied on their estates. We are talking about 1.9 percent.

This repeal that my colleagues on the other side of the aisle are proposing helps the wealthiest 2 percent of Americans. I ask unanimous consent the full study from the Center on Budget and Policy Priorities be printed in the RECORD.

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

[From the Center on Budget and Policy Priorities, June 21, 2000]

ESTATE TAX REPEAL: A WINDFALL FOR THE WEALTHIEST AMERICANS

(By Iris J. Lav and James Sly)

SUMMARY

On June 9 the House passed legislation that would repeal the federal estate, gift, and generation-skipping transfer tax by 2010. The Senate is expected to consider estate tax repeal in July.

Repealing the estate tax would provide a massive windfall for some of the country's wealthiest families.

In 1997, the estates of fewer than 43,000 people—fewer than 1.9 percent of the 2.3 million people who died that year—had to pay any estate tax. The Joint Committee on Taxation projects that the percentage of people who die whose estates will be subject to estate tax will remain at about two percent for the foreseeable future. In other words, 98 of every 1,000 people who die face no estate tax whatsoever.

To be subject to tax, the size of an estate must exceed $675,000 in 2000. The estate tax exemption is rising to $1 million by 2006. Note than an estate of any size may be bequeathed to a spouse free of estate tax.

Each member of a married couple is entitled to the basic $675,000 exemption. Thus, a couple can effectively exempt $1.35 million from the estate tax in 2000, rising to $2 million by 2006.

The vast bulk of estate taxes are paid on very large estate. In 1997, some 2,400 estate—the largest five percent of estates that were of sufficient size to be taxable—paid nearly half of all estate taxes. These were estates with assets exceeding $5 million. This means about half of the estate tax was paid by the estates of the wealthiest one of every 1,000 people who died.

If the estate tax had been repealed, each of these 2,400 estates with assets exceeding $5 million would have received a tax-cut windfall in 1997 that averaged more than $3.4 million.

As these statistics make clear, the estates of a tiny fraction of the people who die each year—those with very large amounts of wealth—pay the bulk of all estate taxes.

Moreover, a recent Treasury Department study shows that almost no estate tax is paid by middle-income people. Most of the estate taxes are paid on the estates of people who, in addition to having very substantial wealth, still had high incomes around the time they died. The study found that 91 percent of all estate taxes are paid by the estate of people whose annual incomes exceeded $190,000 around the time of their death. Less than one percent of estate taxes are paid by the lowest-income 80 percent of the population, those with incomes below $100,000.

SMALL BUSINESSES AND FAMILY FARMS

Very few people leave a taxable estate that includes a family business or farm. Only six of every 10,000 people who die leave a taxable estate in which a family business or farm forms the majority of the estate.

Nevertheless, it often is claimed that repeal of the estate tax is necessary to save family businesses and farms—that is, to assure they do not have to be liquidated to pay estate taxes. In reality, only a small fraction of the estate tax is paid on small family businesses and farms. Current estate tax law already includes sizable special tax breaks for family businesses and farms.

To the extent that problems may remain in the taxation of small family-owned businesses and farms under the estate tax, those problems could be specifically identified and addressed at a modest cost to Treasury. Wholesale repeal of the estate tax is not needed for this purpose.

Farms and family-owned business assets account for less than four percent of all assets in taxable estates valued at less than $5 million. Only a small fraction of the estate tax is paid on the value of farms and small family businesses.

Family-owned businesses and farms are eligible for special treatment under current law, including a higher exemption. The total exemption for most estates that include a family-owned business is $1.3 million in 2000, rather than $675,000. A couple can exempt up to $2.6 million of an estate that includes a family-owned business or farm.

Still another feature of current law allows deferral of estate tax payments for up to 14 years when the value of a family-owned business or farm accounts for at least 35 percent of an estate, with interest charged at rates substantially below market rates.

Claims that family-owned businesses have to be liquidated to pay estate taxes imply that most of the value of the estate is tied up in the businesses. But businesses or farms constitute the majority of the assets in very few estates that include family-owned businesses or farms. A Treasury Department analysis of data for 1998 shows that in only 776 of the 47,482 estates that were taxable that year—or just 1.6 percent of taxable estates—did family-owned businesses assets (such as closely held stock, non-corporate businesses, or partnerships) equal at least half of the gross estate. In only 642 estates—1.4 percent of the taxable estates—did farm assets, or farm assets and farm real estate, equal at least half of the gross estate.

Furthermore, the law can easily be changed to exempt from the estate tax a substantially larger amount of assets related to family-owned farms or businesses, and this can be done without repealing or making other sweeping changes in the estate tax. When the House considered the estate tax on June 9, Ways and Means Committee ranking member Charles Rangel offered an alternative that would have exempted the first $2 million of a family-owned business for an individual and $4 million for a couple, without requiring any estate planning.

EFFECTIVE ESTATE TAX RATES MUCH LOWER THAN MARGINAL RATES

The estate tax is levied at graduated rates depending on the size of the estate; the highest tax rate is 55 percent. This sometimes leads people to conclude that when someone dies, half of their estate will go to the government.

It normally is not the case, however, that half of an estate is taxed away. Effective tax rates for estates of all sizes are much lower than the marginal tax rate of 55 percent. On average for all taxable estates in 1997, estate taxes represented 17 percent of the gross value of the estate. A combination of permitted exemptions, deductions, and credits, together with estate planning strategies, reduced the effective tax rate to less than one-third of the 55 percent top marginal tax rate.

REPEAL OF THE ESTATE TAX CARRIES A HIGH COST

Repealing the estate tax would be very costly. According to the Joint Committee on Taxation, the House bill would cost $105 billion over the first 10 years, as it phases in slowly. Once the proposal was fully in effect—and the estate tax had been repealed—the proposal would cost about $50 billion a year. The cost of the proposal in the second 10 years—from 2011 to 2020—would be nearly six times the cost for 2001–2010.

Under the House bill, the estate tax would be reduced gradually over the next decade, leading to full repeal in calendar year 2010. Under current law, CBO projects the estate tax will bring in $48 billion a year by 2010.

In the 10 years between 2011 and 2020, the estate tax likely would bring in at least $620 billion under current law. The House bill includes a provision, relating to the valuation of capital assets when a person dies, that would offset a small portion of the revenue loss from repeal of the estate tax. The offsetting revenue gain is likely to be in the range of $5 billion to $10 billion a year.

The net effect of the House bill when fully phased in thus would be a revenue loss likely exceeding half a trillion dollars over 10 years.

The very high cost of repeal would be felt fully in the second decade of this century. That is the period when the baby boomers begin to retire in large numbers, substantially increasing the costs of programs such as Social Security, Medicare, and Medicaid. Repealing the estate tax would subsequently reduce the funds available to help meet these costs and to facilitate reforms of Social Security and Medicare that would extend the solvency of those programs, as well as to meet other priority needs such as improving educational opportunities, expanding health insurance coverage, and reducing child poverty. It also would leave fewer funds for tax cut targeted on average working families.

MOST ESTATE TAXES ARE PAID BY LARGE ESTATES

Most estate taxes are paid by large estates rather than by small family-owned farms and businesses. As noted above, the first $675,000 of an estate is exempt from taxation in 2000, with the exemption scheduled to rise to $1 million by 2006. In addition, an unlimited amount of property can be bequeathed to a spouse free of estate tax.

Moreover, each member of a married couple is entitled to the basic $675,000 exemption. A number of simple estate planning devices are available under the law, the net effect of which is to double the amount a couple can exempt from estate taxation. Thus, a couple can effectively exempt $1.35 million from estate tax in 2000, rising to $2 million by 2006.

As a result of these exemptions and other provisions, such as unlimited deductions for charitable giving, only about two percent of all deaths result in estate tax liability. Of the 2.3 million people who died in 1997, for example, fewer than 43,000 had to pay any estate tax.

Of those estates that are taxable, the largest pay most of the estate tax. An analysis by IRS of the 42,901 taxable estates filing in 1997 showed that the 5.4 percent of taxable estates with gross value exceeding $5 million paid 49 percent of total estate taxes. In other words, about half the estate tax was paid by the estates of just 2,400 people—about one out of every 1,000 people who died. The 15 percent of taxable estates with gross value exceeding $2.5 million paid nearly 70 percent of total estate taxes.

The average estate tax payment for the 2,400 taxable estates with assets exceeding $5 million in 1997 was $3.47 million. If the estate tax had been fully repealed for 1997 filers, the 2,400 wealthiest people who died thus would have received a tax-cut windfall averaging about $3.5 million each. A few hundred of the very wealthiest people who left estates exceeding $20 million would have received a tax-cut windfall of more than $10 million each.

ESTATE TAX PAYERS ALSO ARE HIGH-INCOME

A new analysis by the Treasury Department looks at the annual income of decedents who pay estate taxes. The Treasury analysis finds that virtually all estate taxes—99 percent—are paid on the estates of people who were in the highest 20 percent of the income distribution at the time of their death. Some 91 percent of all estate taxes are paid on the estates of individuals who had annual incomes of more than $190,000 around the time of their death.

EFFECTIVE TAX RATE ON ESTATES IS FAR LOWER THAN MARGINAL RATES

It often is claimed that estate tax rates are too high and that the government should not be taking as much as half of a person's lifetime savings when he or she dies. The assertion that the government takes half of a person's estate stems from the fact that the estate tax is levied at graduated rates, with the highest marginal rate of 55 percent applying to estates with a value exceeding $3 million.

Data on estate taxes actually paid, however, show that estate taxes represent one-sixth the value of the average estate, not one-half. As shown in Table 1, estate taxes paid equaled 17 percent of the gross value of taxable estates for which estate tax returns were filed in 1997. The smallest and the largest estates had the lowest effective tax rates. In estates valued between $2.5 million and $20 million, the effective tax rate was approximately one-quarter of the amount of the gross estate.

SMALL BUSINESSES AND FARMS MAKE UP ONLY A SMALL FRACTION OF TAXABLE ESTATES

IRS data show that farms and small, family-owned businesses make up only a small proportion of taxable estates. Farm property, regardless of size, accounted for about one-quarter of one percent of all assets included in taxable estates in 1997. Family-owned business assets, such as closely-held stocks, limited partnerships, and non-corporate businesses, accounted for less than four percent of the value of all taxable estates of less than $5 million. (Farm and family-owned business assets together accounted for about 10 percent of all assets in all estates and less than four percent of the value of taxable estates of less than $5 million.)

Of particular significance is a Treasury Department tabulation of 1998 data. It shows that in only 776 out of the 47,482 taxable estates that year did family-owned business assets (closely held stock, non-corporate businesses, or partnerships) equal at least half of the gross estate. Similarly, on only 642 out of these 47,482 taxable estates did farm assets or farm assets and farm real estate equal at least half the gross estate. Thus, for 1,418 estates out of the approximately 2.3 million people who died that year—or six out of every 10,000 people who died—did family-owned businesses or farms form the majority of the estate. The Treasury analysis found that estates that included these assets paid less than one percent of all estate taxes.

Most farms have relatively modest value. The Agriculture Department estimates that in 1998, fewer than six percent of all farms had a net worth in excess of $1.3 million, the amount of an estate that is completely exempt if the estate includes a family-owned farm. Only 1.5 percent of farms have net worth over $3 million.

SMALLER, FAMILY-OWNED BUSINESS ALREADY ELIGIBLE FOR FAVORABLE TREATMENT

Family-owned businesses and farms already are eligible for special treatment under current law.

Under current law, family-owned businesses and farms may be valued in a special way that reflects the current use to which that property is put, rather than its market value. This provision generally reduces the value that is counted for purposes of estate tax; the reduction in value can be as much as $770,000 in 2000. This amount is indexed annually for inflation.

To use the special valuation, the decedent or other family members must have participated in the business for a number of years before the decedent's death, and family members must continue to operate the business or farm for the following 10 years. This assures that the benefit of this special valuation goes to relatively smaller businesses and farms than are family owned and operated.

The amount of an estate that is exempt from taxation is higher for family-owned businesses and farms than for other types of estates. Instead of the $675,000 exemption (which rises to $1 million in 2006), the 1997 tax law increased the total exemption for most estates that include family-owned businesses to $1.3 million.

In addition, when the value of a family-owned business or farm accounts for at least 35 percent of an estate, current law allows deferral of taxation. The tax payable on such an estate may be stretched over up to 14 years, including deferral of annual interest payments for five years, followed by up to 10 annual installments of principal and interest.

IS IT DIFFICULT TO QUALIFY AS A "FAMILY-OWNED" BUSINESS?

Proponents of estate tax repeal often claim that increasing the exemption for family-owned businesses is not a sufficient remedy, because the law makes it too hard to qualify for treatment as a family-owned business. In fact, the definition of a family-owned business is very expansive so long as the family owns and operates the business and intends to continue doing so.

If a business is wholly owned and operated by the person who died, it easily qualifies for treatment as a family-owned business under current estate tax law. Otherwise, there are two key factors that determine whether the business or farm qualifies as a family-owned business.

The first factor is the relationship of the person who died to others who own a share in the business or help run it. For purposes of the estate tax, the term "family" is quite broad; it includes, for example, grandchildren and great-grandchildren and their spouses as well as nieces and nephews and their spouses.

The second consideration is whether the family actually owns and operates the business.

The family must own at least 50 percent of the business. However, if more than one family owns the business, the family of the person who died may own as little as 30 percent of the business.

Either the person who died or any family member (as family member is broadly defined) must have owned and materially participated in the business for at least five of the previous eight years. In general, material participation means working at the business and taking part in management decisions.

Businesses that manufacture or sell a product, provide a service, or engage in farming qualify for the special treatment. A business that is solely a holding company for managing other investments would not qualify.

The company cannot be publicly-traded. If stock in the business has been publicly-traded within three years of the person's death, the business does not qualify as family-owned.

The heirs also must continue to operate the business for a period of time. In the decade after the person's death, each qualified heir or a member of his or her family must materially participate in the business for at least five of any eight consecutive years. If three siblings inherit a business, for example, the test would be met if any one of them participated. It also would be met if one sibling's daughter were the only participant.

If payments are deferred and paid over time in installments, a below-market interest rate of just two percent applies to the tax attributable to the first $1,030,000 in value of a closely held (family) farm or business. There also is a preferential rate on the tax attributed to the remaining value of the family farm or business.

ESTATE TAX RELIEF FOR FAMILY FARMS AND SMALL BUSINESSES CAN HAVE MODEST COST

There are a number of ways the estate tax burden could be substantially relieved for these family businesses and farms without repealing or making fundamental changes in the rest of the estate tax. A proposal offered in the House Rep. Charles Rangel, the ranking minority member of the Ways and Means Committee, as an alternative to repealing the estate tax included such a provision.

A provision in the Rangel proposal would have raised the exclusion for family-owned farms and small businesses from $1.3 million to $2 million. It also would have allowed the transfer of any unused portion of the exclusion between spouses. As a result, a married couple with a farm or small business interest would receive a $4 million exclusion. (Under current law, a couple can receive a $2.6 million exclusion for a farm or small business interest if they engage in some estate tax planning. The Rangel provision would have provided the $4 million exclusion without the need for estate tax planning.)

This type of substantial additional tax relief for family owned farms and businesses carries a cost that is only a tiny fraction of the cost of fully repealing the estate tax. This provision would cost about $2 billion a year, compared to the approximately $50 billion-a-year cost of the Archer proposal when fully in effect.

REPEALING THE ESTATE TAX CARRIES A HIGH COST

The Joint Committee on Taxation estimates that the bill the House passed to reduce and ultimately eliminate the estate tax would cost $104.5 billion over the 10-year period from 2001 through 2010. Full repeal of the estate tax would be effective for people who die in 2010 and years after that. The full revenue effect from repealing the estate tax would not be felt until two to three years after that, because estate taxes are rarely paid in the year of death; it takes two to three years to settle an estate and file the estate-tax return. As a result, the cost of repealing the estate tax is not reflected in any year in the 10-year period covered by the revenue estimate for the bill.

REPEALING THE ESTATE TAX WOULD REDUCE CHARITABLE BEQUESTS

Current estate tax law includes an unlimited charitable deduction; no estate tax is due on funds bequeathed to charities. For the largest estates that are subject to the 55 percent marginal estate tax rate, each additional $1,000 given to charity reduces estate taxes by $550.

In 1997, more than 15,500 estates took advantage of this provision, making—and deducting—donations worth more than $14 billion. (This includes the charitable deductions taken by all estates required to file estate tax returns in 1997, some of which were taxable and some of which had sufficient total deductions and credits to eliminate estate tax liability.)

The charitable deduction is most heavily used by the largest estates. In 1997, charitable deductions equaled 30 percent of the total gross assets of taxable estates valued over $20 million, as compared to about three percent of the assets of smaller estates. Over half of the taxable estates of more than $20 million took a deduction for charitable bequests in 1997; these estates gave a total of $7.5 billion to charity, averaging more than $41 million in donations per estate. This is one of the reasons the effective estate tax rates are lower for estates valued at $20 million or more than for estates valued between $1 million and $20 million. (See Table 1.)

The research on the effect of the estate tax on charitable giving has consistently shown that levying estate taxes increases the amount of charitable bequests. The most recent study, by Treasury Department economist David Joulfaian, analyzed the tax returns of people who died in 1992. Joulfaian found that eliminating the estate tax would reduce charitable bequests by about 12 percent overall. Had there been no estate tax in 1997, charities thus would likely have received about $1.7 billion less in bequests than they did.

The actual loss to charity is likely to be greater than is implied by looking solely at bequests, however, because some people with significant estates make charitable contributions while they still are alive with the intention of reducing both their income taxes and the amount of their assets on which the estate tax will be levied. If a person gives to charity through the popular device known as a charitable remainder trust, for example, the assets do not show up in the estate tax statistics. Under a charitable remainder trust, the person transfers assets to the trust. The trust provides the person a stream of income for the remainder of his or her life, and whatever remains in the trust at the end of the person's life goes to charity. The person gets an immediate income tax deduction for the amount that will go to charity, computed based on his or her life expectancy (as determined actuarially). In addition, amounts transferred in this manner are considered to have been transferred prior to death and are not included in the estate when the donor dies. In 1997, a total of 82,176 charitable remainder trusts were in existence, containing assets totaling $60.5 billion. Charitable remainder trusts are just one example of charitable donations that may take place toward the end of life that reduce both income taxes and estate taxes.

Under current law, CBO projects the estate tax will bring in $48 billion a year by 2010. In the 10 years between 2011 and 2020, the estate tax likely would bring in at least $620 billion under current law. Repealing the estate tax consequently would result in the loss of the entire $620 billion over the 10-year period. The House bill also includes a provision relating to the valuation of capital assets when a person dies that would offset a small portion of the revenue loss from repeal of the estate tax; the offsetting revenue gain is likely to be in the range of $5 billion to $10 billion a year. Thus, the net effect of the House bill, when fully phased in, would be a revenue loss likely to exceed half a trillion dollars over the 10-year period from 2011 through 2020.

Mr. WELLSTONE. Last week, President Clinton pointed out the cost of this repeal, helping the top wealthiest 2 percent of our population. It amounts to $100 billion over the first 10 years and then $750 billion over the next decade.

I will speak for some period of time, and I know other Senators will speak as well, about what we could be doing and should be doing instead of repealing this inheritance tax helping the top 2 percent of the population.

Instead of this repeal helping the top 2 percent of the population, we could help renew our national vow of equal opportunity for every child. We could start by making sure families in our country are helped with affordable child care. I can't think of a more important issue, especially for younger working families. I don't know how many times in Minnesota, or anywhere I go in the country, I have people coming up to me—maybe they make $40,000 a year or $35,000 a year, and the child care expenses range anywhere from $6,000 a year to $12,000 a year. We could have a refundable tax credit. It could be for families under $30,000. You could put it on a sliding fee scale basis. We could go up to $30,000, $40,000, $50,000 a year, which would help families afford child care. Why don't we do that?

The Federal Government—that means the Senate, that means the House of Representatives—could be a real player in pre-K education. By the way, child care—whether a family provider, whether in a child care center, or whether or not a child is at home with a parent—is all about education. Those children who are able to receive developmental child care, who were nurtured, who were intellectually stimulated, will come to kindergarten ready to learn and they will do well.

For many families, and not only low-income families, this is a salient issue. The way this is drafted right now, going to the wealthiest 2 percent of Americans, we could—and I intend to have an amendment that focuses on this—have some tax credits that go to families so they can afford child care.

This is an emergency situation in many of our States. At best, 20 percent of the children in 20 percent of these families are receiving any help whatsoever. There was a powerful piece in the Washington Post last weekend talking about the fact that not only can families not afford this, but there is almost a 40-percent turnover of child care providers every year.

I ask unanimous consent that this article, ''Burdened Families Look for Child Care Aid,'' be printed in the RECORD.

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

[From the Washington Post, July 6, 2000]

BURDENED FAMILIES LOOK FOR CHILD-CARE AID

(By Dale Russakoff)

WOODBRIDGE, N.J.—Debra Harris, a single mother, quit her $34,000-a-year job as an occupational therapist for the summer because she can't afford full-time care for her two children.

Kathy Popino, a receptionist, and her electrician husband have gone into debt to keep their toddler and 8-year-old in child care at the YMCA, after a bad experience with a lower-priced home caregiver.

Mary O'Mara, a computer network administrator, and her husband, a factory worker, have junked the conventional wisdom of ''pay your mortgage first.'' They sometimes pay a late fee on their home loan to cover child care first, lest they lose coveted spaces in a center they trust.

Child care is in slow-motion crisis for middle-income families, and Middlesex County, N.J., is in the thick of it. With three of four mothers working outside the home—near the national average—this swath of suburbs dramatizes the cost to working families of the national political consensus that child care is a private, not public, responsibility.

For 30 years, politicians have promised to shift the burden for families in the middle, with little result. Vice President Gore recently called for tens of billions of dollars in spending and tax breaks over a decade to improve care from infancy through adolescence—a proposal advocates called impressive in its reach, but short on resources and details.

Texas Gov. George W. Bush has proposed initiatives only for the poor, saying working families can apply his proposed income tax cut to child care bills.

Would-be beneficiaries here had a feeling they'd heard that before.

''I was so hopeful when the Clintons came in,'' said Popino, 34. ''I saw Hillary as a working mom's best friend. I remember she said, 'It takes a village.' Okay, it's been eight years. When are they going to get to my village?''

The politics of welfare reform has focused national attention and money on the vast child care needs of women in poverty, which remain unmet. And the economic boom is helping affluent families pay full-time nannies or the $800- to $1,000-a-month fees at new, high-quality centers.

But with a record 64 percent of mothers of preschoolers now employed, and day care ranked by the Census Bureau as the biggest expense of young families after food and housing, officials say middle-income families routinely are priced out of licensed centers and homes. The median income for families with two children is $45,500 annually, according to the Census Bureau.

''Basically, we have a market that isn't working,'' said Lynn White, executive director of the National Child Care Association, which represents 7,000 providers.

In a booming economy in which almost any job pays better, day care centers now lose a third to more than half of their staffs each year, and licensed home caregivers have quit in droves, according to national surveys.

The average starting wage for assistant day care teachers nationally rose 1 cent in eight years—to $6 an hour. Weekly tuition at centers in six cities rose 19 percent to 83 percent in the same period, as states tightened regulations.

Most industrialized countries invested heavily in early-childhood care as women surged into the work force in the 1970s, but Congress and a succession of presidents left the system here mostly to the marketplace, directly subsidizing only the poorest of the poor.

A federal child care tax credit, enacted in 1976, saves working families $3 billion, but advocates say it has fallen far behind inflation. (It saved Debra Harris $980 last year, leaving her cost at more than $7,000.)

When the military faced the same crisis of quality, affordability and supply a decade ago, Congress took a strikingly different approach. It financed a multibillion-dollar reform in the name of retaining top recruits and investing in future ones.

The result was a system of tightly enforced, high-quality standards for day care, home care and before- and after-school care. It included continual training of workers and more generous pay and benefits.

Advocates hail the system as a model. With 200,000 children in care, it costs an average of $7,200 a child, which the government subsidizes by income.

''The best chance a family has to be guaranteed affordable and high-quality care in this country is to join the military,'' concluded an analysis by the National Women's Law Center.

Debra Harris used to drop her kids at Pumpkin Patch Child Development Center in working-class Avenel every morning at 7 in a weathered Ford Escort. She popped buttered bagels in the center's microwave for their breakfasts before heading to Jersey City, where she was a school occupational therapist.

A bus took Whitney, 9, and Frankie, 7, to school and brought them back at day's end to Pumpkin Patch, which they complained was cramped and a bit boring. Their mother considered it the safest and best care she could afford.

This summer, though, Whitney and Frankie's needs would have grown before- and after-school care (total: $440 a month) to full-day care at Pumpkin Patch's camp (total: $1,400 a month). Harris recently went back over the match, incredulous at the results.

''I can make $25 an hour on a per-diem basis,'' she said. ''If I work 40 hours a week, that's $4,000 a month, $3,200 after taxes. If I take out $1,400 for my mortgage and $1,400 for full-time day care, that leaves $400—$100 a week to buy food and gas, pay bills, go to the shore on the weekend. This is crazy!''

So Harris decided to quit her job for the summer, find part-time work and draw down her savings.

At 30, Harris prides herself on providing for her children ''without ever using the welfare system, thank God,'' despite difficulties that include an ex-husband who is more than $6,000 behind in child support, according to her records.

Child care was never easier when she was married, and not just because of her husband's paycheck, Harris said. Early in their marriage, they were stationed in Germany with the Air Force and had access to German-subsidized child care. They paid $40 a month per child for full-time care in a stately, 19th-century building within walking distance of their home.

''I find it really discouraging that my own government says I shouldn't need help with child care,'' Harris said. ''Now is when I really need some help.''

The first time Washington tried to help—and failed—was 1971. Congress passed a $2 billion program to help communities develop child care for working families, but President Richard M. Nixon vetoed it as ill-conceived, writing in his veto message that it would ''commit the vast moral authority of the National Government to the side of communal approaches to child-rearing over . . . the family-centered approach.''

Mothers of school-age children kept going to work anyway. In 1947, 27 percent was employed at least part time; in 1960, it was 43 percent; in 1980, 64 percent; in 1998, 78 percent. State governments took the lead in setting child care standards, which vary dramatically, as do fees and quality.

In the late 1980's, with the number of children in care surging, Congress again took up the cause of middle-income as well as poor families. The resulting Act for Better Childcare, signed by then-President George Bush in 1990, vastly increased aid to the poor, whose needs were the most urgent. But middle-income families were left out.

Poor families' needs became even more pressing in 1996 with the passage of welfare reform, which sent women from assistance rolls to the work force. A federal child care block grant aimed at families making up to 85 percent of a state's median income is going overwhelmingly to families in or near poverty, reaching only 1 in 10 eligible children, according to the U.S. Department of Health and Human Services.

In 1988, President Clinton moved to expand the child care tax credit but was blocked by Republicans who said it slighted mothers who stayed home with their children.

This election year could be different, several analysts said. Although most voters care less about child care than Social Security and taxes, the issue rates highest with women younger than 50, particularly those under 30, a crucial voting bloc for both Bush and Gore.

Unlike 1996, when these women were solidly for Clinton, their concerns now have political cachet, according to Andes Kohut of the Pew Research Center for the People and the Press.

At the same time, advocates are linking quality child care to school readiness, hoping to tap into the national focus on education. They emphasize that the government subsidizes higher education for all families, but not ''early ed,'' as they call child care, which hits young families, who have fewer resources.

Another political impetus comes from recent reports of the U.S. military program's success. Newspaper editorials in almost every region of the country asked why the civilian world can't have the same quality child care.

Kathy Popino has been asking for years. Her husband, Warren, was in the Coast Guard when their son, Matthew, was born, and they paid $75 a month—subsidized by the Department of Defense—to a home caregiver trained by the DOD. ''She was wonderful. The military inspected all the time,'' Popino said.

When Warren left the Coast Guard to become an electrician, they moved to Metuchen, N.J., but couldn't find licensed care at even twice that price. They opted for an unlicensed home caregiver who cared for Matthew for $80 a month, along with two other children.

But Matthew, then 2, began crying nights, and ''his personality did a 180,'' Kathy said. Unable to sleep herself or concentrate at work, Kathy moved him to a state-of-the-art KinderCare Learning Center they couldn't afford. ''Visa became our best friend,'' she said.

Ultimately, they moved him to the YMCA, where they now pay about $800 a month for high-quality, full-time care for Gillian, 1½, and after-school care for Matthew, 8. The program there includes weekly swim lessons, daily sports and homework help in spacious, sun-filled rooms.

In the process, Popino has developed a keen class consciousness. ''When summer camp starts, you pay every Monday, and everybody who pays with credit cards walks out to our used cars we owe money on. The people paying by check walk out and get in their new Lexus,'' she said.

The Y's fees are lower than prices at similar, for-profit centers, but cost pressures are rising as the labor market tightens. Child care director Rose Cushing said turnover rates are well over 30 percent, even with the agency paying health benefits to its teachers.

Twenty minutes south on U.S. Route 1, at Pumpkin Patch, where fees, teacher pay and the facilities are more modest, proprietor Michelle Alling has held on to four of her head teachers for five years, mainly because of their loyalty to the children.

On a recent morning, as one teacher baked chocolate-chip cookies with flour-blotched 3- and 4-year-olds, Alling acknowledged that they all desperately needed higher wages.

But ''then you have families literally handing you their entire paycheck,'' she said, ''and where does it come from?''

Mary O'Mara, the mother who sometimes makes ends meet by paying late fees on her mortgage, said politicians who look past this issue must live in a different world than hers. She wishes she could show them what she showed her mother, who used to tell her to relax and stay home with her children.

''I sat her down with a calculator, and I gave her a month's worth of bills—food, mortgage, child care, gasoline,'' O'Mara said. ''There was almost nothing left, and that's with two middle-class incomes.

''She looked at me like she didn't believe it. She said, 'I didn't realize how tough it was out there.' ''

Mr. WELLSTONE. Mr. President, instead of the repeal of the inheritance tax going to the wealthiest 2 percent, we could provide some tax credit assistance for working families so they could better afford child care for their children. Why can't we do that?

The evidence is irrefutable. The evidence is irreducible. These are the critically important years. Families in our States tell us how important this is. What are we doing moving forward on repealing an inheritance tax for the wealthiest 2 percent of Americans, not targeting it to family farmers and small businesses but across the board, instead of using some of this money—$100 billion over the first 10 years, but $750 billion over the second 10 years—to make sure families in our country can afford good child care for their children?

By the way, even when I talk about tax credits invested in affordable child care, it breaks my heart because this will not even be near enough. The truth is, we have to get serious about good developmental child care, and that means men and women who work in this field should not make $8 an hour or $6 an hour with no benefits at all, but we should value the work of adults who work with children; that we not continue to pay men and women who work in child care centers half of what we pay men and women who work in zoos taking care of animals.

As a Senator from Minnesota, I am absolutely confident that I am reflecting the priorities of Minnesotans when I say repeal of this estate tax, now crafted in such a way that it goes to the wealthiest 2 percent of Americans, is hardly a priority for people in Minnesota or people in the country. I would prefer to see us make the investment in child care. I intend to offer an amendment that deals with additional tax credits which will provide help for working families.

I will not use statistics, but every Senator, Democratic and Republican, knows intuitively that in today's economy, one of the most important indicators of whether or not a young person—or not such young person, since many of our students are no longer 18 and 19 living in a dorm but they are 40 and 50 years of age going back to school—can succeed is whether or not they are able to complete higher education. Yet we have this huge gap between the number of young people, or not such young people, from low- and moderate-income backgrounds who are able to complete college versus those who come from upper-income or upper-middle-income families, and it is because of the cost of higher education.

We have not fully funded the Pell Grant Program where we get the most bang for the buck, and when we passed the Hope Scholarship Program and said there would be a $1,500 tax credit for students to afford the first 2 years of school, it was not a refundable tax credit. So for a lot of the students in the community colleges in Minnesota, if they come from families with incomes under $30,000 a year, $28,000 a year, they do not get any benefit because it is not a refundable tax credit.

What could we be doing instead of moving forward on an agenda that repeals this inheritance tax that benefits the wealthiest 2 percent of the population? What we could do instead is provide refundable tax credits for our students so they can afford to go on to colleges and universities and do better for themselves and do better for their children. I say better for their children because, again, I have reached the conclusion, having spent a lot of time on campuses in Minnesota, that the nontraditional students have become the traditional students, and probably the majority of our students are now in their thirties and forties with children going back to school so they can do better for their kids.

Are we committed to education? Here is where we could be a player. Instead of repeal of this estate tax that the majority party wants us to move forward on, why are we not talking about a commitment to education? Why are we not, as Senators, making a difference where we can make a difference?

Yes, we can make a difference in kindergarten through 12th grade, but we can make a huge difference, it is our role to make a difference prekindergarten: to make a commitment to affordable child care so children coming into kindergarten are ready to learn; to make sure every child has an opportunity to do well; to make sure our students can go on and afford higher education so they can do better by themselves.

Why are we not making this commitment to education? What are we doing out here, trying to move forward this piece of legislation that is going to cost $100 billion over the first decade and then up to $750 billion over the next decade, with all of this money and all of these benefits flowing, roughly speaking, to the wealthiest 2 percent of the population? I have a bill, as does BARNEY FRANK in the House of Representatives, that basically says: What we can do is agree that we are talking about, by definition, very wealthy Americans; that we are trying to repeal this inheritance tax. We are saying—and I quote Barney Frank—''If you're old, rich, and dead, we're with you. If you're old, sick, and middle class, you're out of luck.'' I do not know that I would put it quite that way, but basically we could take this $750 billion over the second 10 years, $100 billion over the first 10 years, and finance prescription drug benefits so seniors will be able to afford prescription drugs.

I come from a State where fully 65 percent of senior citizens have no prescription drug coverage at all. All of us can talk about people who are spending up to $300, $400, $500 a month to cover prescription drug costs, and maybe their total monthly budget right now, based upon what benefits they have, is $1,000 or $1,200. We can talk about people who cut pills in half, though that is dangerous. We can talk about people who are faced with the choice: Can I afford prescription drugs or can I afford to eat but not both?

What in the world are we doing trying to proceed on a piece of legislation which is not at all targeted, which provides huge benefits, which basically busts our budget and robs our ability to invest in other decisive areas that are so important to people in our States and provides the benefits to the wealthiest 2 percent?

This debate is really a debate about our priorities and, and I will draw a bit from the Center on Budget and Policy Priorities: In 1997, the estates of fewer than 43,000 people—fewer than 1.9 percent of the 2.3 million people who died that year—had to pay any estate tax. That is 1.9 percent, roughly speaking, among the wealthiest 2 percent in the United States of America. It is going to cost us $100 billion over the first 10 years, and it is going to cost us $750 billion over the next 10 years.

You know what. If we had an unlimited amount of money, and we did not have other needs—such as affordable child care, making sure we have health security for families, making sure people have a pension, making sure young people and not so young people can go on and afford higher education, and making sure families can do well by their kids so they can do well by their country—I might be all for it.

But what about these other decisive needs? Don't they come first?

Mrs. BOXER. Will the Senator yield for a question?

Mr. WELLSTONE. I would be pleased to yield.

Mrs. BOXER. One of our colleagues was saying he was visited by an extremely successful gentleman who was worth in the hundreds of millions of dollars, perhaps as much as $1 billion. The gentleman was discussing with this particular Senator this repeal of the estate tax for the wealthiest in our Nation, for the billionaires, if you will, for the most wealthy among us. This very wealthy person was making the point that he was not for this repeal for the very wealthy.

He said we could fix it for some of the family farmers, the small businesses, with which, by the way, Democrats on the whole have agreed. But he said: Do you know how I made my money? A lot of people have worked for me. He said: Those people have worked really hard for me. They didn't grow up to be millionaires. They got up every day, and they worked for my business. He said, in a sense, if his children had to pay some of the inheritance back, and we took the funds here and put them into education and job training and health care and prescription drugs, he would feel pretty good about it.

Now, granted, this is a type of a person you do not run into that often. Most people are not that selfless. But I think that gentleman really put it out there for us to contemplate.

This is the greatest nation in the world. With a good idea, people can come up from poverty and they can make it to the top. Their heirs perhaps may not be that hard working, but maybe they are. But the fact is, this gentleman has focused on this, to say to this great country: I want to see it continue to be great. There is a notion about that, that this gentleman, I believe, has focused upon.

I offer that up to my friend because he points out how much work we have to do for ordinary people who get up and face problems every day. It seems to me to be a very small price to pay, for very few people at the very top who have, in a sense, made it mostly because of these hard-working people, that their estates give back a little bit to this great country to defend itself, to be able to afford to educate its young, et cetera. I want my friend to just comment on that.

Mr. WELLSTONE. Mr. President, I thank the Senator from California. I actually would like to comment on her point in two ways.

First of all, let me point out, right now the total exemption for most estates that include a family-owned business is $1.3 million in 2000. That is what it has gone up to. A couple can exempt up to $2.6 million of an estate that includes a family-owned business or farm.

I would have no problem further targeting that. I do not think my colleague from California would, either. But the proposal out on the floor by the Republican majority—a sort of across-the-board repeal that amounts to $850 billion of lost revenue over the next 20 years—has to be considered alongside what we are about as a nation, what we are about as a people. I think the Senator from California speaks to the whole question of community.

My definition of community is that we all do better when we all do better. The interesting thing is that many people in Minnesota who are economically very successful—I do not know if they are the wealthiest 2 percent; I can think of some for whom I think I can speak who would say: Look, in all due respect, in terms of the scheme of your priorities, my gosh, get it right first for children. Get it right by way of helping families and helping children. Get it right by investing in education.

We now have 44 million people with no health insurance whatsoever. We have probably twice that number who are underinsured. We have senior citizens for which Medicare does not pay for prescription drug benefits in many of our States, or cover very little of it, who are faced with those expenses. We have a lot of elderly people—we do not talk about this much—who are terrified that they are going to have to go to the poorhouse before anybody will help them with catastrophic expenses, if, God forbid, they can't live at home.

Right now—my colleague from Wisconsin knows this well; this has been one of his priorities—we have not put anywhere near the resources we should put into assisted living so people can stay at home and live as near a normal circumstance as possible. That is a big family issue.

Let's think about this for a moment. From little children—under 4 feet tall, who are beautiful, all of them—to people who are elderly and are having a hard time paying their health care bills, and especially at the very end of their lives, who are frail and are wondering can they stay at home and live with dignity and wondering who will help them, or if, God forbid, they have to be in a nursing home because of Alzheimer's disease or whatever the case may be, that across the board we have not made the investment.

There is a lot we need to do as a nation. These are important priorities, not only for our country, not only for California or Minnesota. That isn't the right way to say it. These are important family values. I say to Senator BOXER from California, what I am asking is: Where are our priorities that focus on family values?

To me, it is a family value to come out and talk about tax credits or a direct investment of money to make sure child care is affordable. It is a family value to make sure people, at the end of their lives, or toward the end of their lives, who have worked hard and have built this country, should not have to be in terror that there won't be anybody to help them stay at home, or, if they are in a nursing home, nobody to help them with their expenses.

The United States of America—I love this country—is the only country where you have to go to the poorhouse before you are eligible for any help—Medicaid, Medicare assistance. Clearly, as a nation, in terms of our own priorities, we are going to have to start valuing the work of adults who work with children. We are going to have to start valuing the work of adults who work with elderly people. We pay them $6 or $7 or $8 an hour, with no health care benefits. This cannot be done on the cheap.

We have all these challenges. We are talking about $100 billion the first 10 years, and then the second 10 years, $750 billion. That is what this costs to provide a blank check benefit to the wealthiest 2 percent of the population.

We have all these challenges before us in terms of Medicare, in terms of Social Security, in terms of making sure there is health security for families, in terms of making sure we get it right for our kids. They are the ones who we are going to be asking a lot of by the year 2020.

In the words of Rabbi Hillel: If not now, when? If we can't invest in our children now, when will we? If we can't invest in the health and the skills and the intellect of our children now, when will we ever do that?

So I say to my colleagues, I just mention one amendment which I hope to be able to bring to the floor on this bill, which will talk about rather than all of these benefits just going to the wealthiest 2 percent, how about an additional refundable tax credit to help families afford child care expenses?

I say to my colleague from California, and other colleagues as well, I am for patient protection, I am for passing legislation that provides not only patient protection but provides caregivers protection. Demoralized caregivers are not good caregivers. I think doctors and nurses ought to be in the kind of position to practice medicine the way they thought they could when they were in nursing or medical school.

But the other issue is all the people who fall between the cracks who have no health security. I am amazed that universal health care coverage is not back on the table. I do not believe for a moment that the United States of America, the wealthiest country in the world, with a booming economy, and record surpluses at the moment, cannot provide health security for American citizens, for families in this country.

You can't have it all ways. If my Republican colleagues want to come out and say their priority is to provide a great tax benefit for the wealthiest 2 percent of the population, which is going to cost us $850 billion over the next 20 years, then not only are we not going to be able to do right by Medicare, not only are we not going to be able to provide prescription drug costs, but we are not even going to begin to be able to talk about how we reach the goal of health security for every American citizen, for all the families in this country.

What are our priorities? Instead of moving forward on this piece of legislation, we ought to be focusing on health security for American citizens. Not that we need to look to the polls to give us guidance, but not surprisingly, along with education, health security for families and citizens, emerge as top issues.

I will mention two other issues in terms of what we could be doing and what we should be doing, instead of repealing the estate tax blanket repeal, across the board, benefits going to the wealthiest 2 percent of the population. I think I speak for every Senator, Democrat and Republican, on this one. In 1997, we passed what was called the Balanced Budget Act. Some people voted for it; some people voted against it. I am glad I voted against it. Different people vote different ways. If it wasn't then, it is crystal clear now that what we have done to the Medicare reimbursement by so dramatically cutting it has had a catastrophic effect on our hospitals and on our nursing homes, especially in our rural communities.

I attended a recent gathering at White Hospital in Hoyt Lakes, up on the Iron Range. Hospitals in a State such as Minnesota, where we don't have the fat in the system, do not make excessive profits at all. They are going to go under. We are going to have more and more hospital closings. These hospitals are community institutions. These hospitals are important to communities, not only because rural America doesn't do well; when people are trying to decide if they want to live in a rural community, they want to know whether they can afford to live in the community: will there be a job at a decent wage? Can they afford to farm? Are they going to get a decent price?

The second thing they want to know is whether they want to live in a rural community. If they don't have good health care and good education, they are not going to do it.

Last year, we said we fixed this problem. We restored about 10 percent of the cuts. Again, I am not now talking about universal health care coverage, although I believe our country must embrace this idea. I will introduce a bill next week, working with the Service Employees International Union. It is a decentralized health insurance program. I like it a lot. I want to get it back on the agenda. I think it is important that we have a constituency to fight for it in the country.

I am not even talking about prescription drug benefits. I am not even talking about major reform. I am saying, I don't know how in the world we go forward with this kind of across-the-board blanket repeal with the benefits going to the wealthiest 2 percent of the population when we aren't even getting it right in terms of getting the reimbursement that our health care providers actually deserve back in our States.

I will mention one other issue. Senator FEINGOLD is here on the floor, along with Senator BOXER, Senator REID, and Senator BURNS. Instead of going forward with this tax scheme, why aren't we dealing with a core issue: reform. Why aren't we debating campaign finance reform? There is probably a pretty strong correlation. Some of the programs I have talked about and some of the values I have talked about, the people who would most benefit are not the heavy hitters, not the givers. They are not the investors and big contributors. Clearly, the wealthiest 2 percent of the population are among the ranks of the biggest givers, although there is not a one-to-one correlation. Clearly, at the very top, many people I know in Minnesota and I think around the country think we ought to get our priorities straight. We ought to start with some of the priorities I have talked about.

Why aren't we dealing with reform? When are we going to get to dealing with the ways in which money has come to dominate politics? There is the McCain-Feingold bill. There is the clean money/clean election efforts in different States. I have introduced that legislation. One of the things I would like to do is to at least change three words of the Federal election code which would enable States, if they want to, to apply clean money/clean election to Federal races. If the State of Wisconsin or Minnesota said it would like to apply this to State legislative races but also to Federal races, it ought to be able to do that.

Whatever your own preference, I think people in our country are begging us to move forward on a reform agenda and to give them a political process in which they can believe. I think citizens in our country are yearning for politicians they can believe. They are yearning for a Senate and House of Representatives in which they can believe. They are yearning for a political process in which they can participate. Right now there is so much disillusionment and disengagement, it should worry all of us who believe in public service. I can't think of anything we could do that would be more important than to pass significant, substantive campaign finance reform, instead of a tax scheme in its present form providing the benefits to the wealthiest 2 percent.

Couldn't we be talking about campaign finance reform? Couldn't we be talking about renewing democracy in America? Couldn't we be talking about how to restore confidence in the Government and the political process? Couldn't we be talking about renewing our national vow of equal opportunity for every child and affordable child care? Couldn't we be talking about how to help families do well by their kids so they can do well by our country and could do well by our States? Couldn't we be talking about how to help men and women who want to go on to higher education afford higher education?

Couldn't we be talking about making sure elderly people can afford prescription drugs? Couldn't we be talking about how to have more health security for people in our country? So many citizens fall in between the cracks; so many citizens feel so insecure. Couldn't we be talking about all of that and more with a booming economy and record surpluses? Couldn't we now get some resources back in the communities so our families could do better, so our children could do better, so that we all would be doing better because we all would be doing better, which is what a community is about? I think we could. That is where we ought to be focusing.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. REID. Will the Senator from Montana yield for a unanimous consent request?

Mr. BURNS. I will yield.

Mr. REID. Mr. President, I have been advised by the two managers of the Interior appropriations bill—and this has been approved by the two leaders—that we would ask all Members to notify their respective Cloakrooms and/or Senator BYRD or Senator GORTON that by 6 o'clock tonight they should get all their amendments to either the Cloakroom or to the two leaders. It will be a finite list of amendments. Then the two leaders, the two managers of the bill can work through that and at some time have the actual amendments in their hands. I ask unanimous consent that that be the case.

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

The Senator from Montana.

Mr. BURNS. Mr. President, I listened with great interest to my friend from Minnesota on this issue. I am not really sure if he was talking about families or not. The standard of living that this country enjoys has to be attributed in part to parents, moms and dads, grandmas and grandpas, and their ability to pass on some of their wealth to the next generation.

We all work hard for our kids. I don't know of a parent who doesn't work for their kids in this country. While we were doing that, we elevated the standard of living and the wealth of this country for more people than any other society on the face of the planet.

I didn't come from very wealthy folks.

My dad was a small farmer in Missouri with 160 acres, two rocks, and one dirt. But last year, I lost one of my elderly aunts, a sister to my father. In her estate, I inherited only one thing in the will—a 1991 Lincoln Town Car. I have never owned a Lincoln in my life. But you know what happened to that old car? It was sold in the estate sale to pay for the taxes. I was mad. Well, I am not saying we are doing badly now; what I am saying is, forget about the top 2 percent that the other side talks about because they don't pay estate taxes, folks. They have CPAs and lawyers. They can set aside trusts and do a lot of things to guard their fortunes and pass it on to the next generation of the family. It is the middle who gets hit. It is the man and wife who started off as a young couple and built a business. They pass on, the Government taxes it again after it has been taxed all of those years.

So how much do you want these folks to give? We could have been talking about a lot of things today. We could have already had an H–1B visa bill, which is being blocked by the other side. They didn't like a lockbox for Social Security. They didn't like education reform, so they blocked that too.

Now we are talking about a simple estate tax. To give you an idea, I have some good friends who live up in the middle part of Montana, and they are not wealthy, either. But this is who gets hurt. This is real stuff, not pie in the sky. This is not philosophical. This is plain old middle America.

These folks lost their father and were given, starting in 1991, estate taxes of $4,584.81. Then they started making regular payments. In 1992, $13,000; in 1993, $15,000; in 1994, $14,000; in 1995, $14,000; in 1996, $16,000; in 1997, $15,000; in 1998, $12,000; in 1999, $12,000, and they have another payment coming up this December. They have been paying on this for their father who has been dead for 13 years. These aren't wealthy people. I know them personally. That is who this falls on. The top 2 percent? That is a myth and everyone should know it.

Some folks in Polson, MT, have a series of small theaters. They are in little bitty towns in Montana. They are scared to death of this thing. They are getting to the age now where they are starting to worry. They have to set up some ways to shield themselves, but they are finding out that being that small, they can't. That is what we are talking about.

I ask unanimous consent that a letter sent to me, dated July 10, 2000, be printed in the RECORD.

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

JULY 10, 2000.

DEAR SENATOR BURNS: Please eliminate the estate tax. My husband and I and our children have worked for thirty years to build a stable family business which provides us with a modest living. We expected to pass it on to our grown children who are working with us, but upon our death they will be forced to sell pay the estate tax.

We own movie theaters in seven small towns in Montana and one is in Idaho, populations ranging from 2,500 to 10,000. We purchased the first one in 1971 a few months before our youngest daughter was born and the last theater was in 1992. It has been a family business, our daughters grew-up in the theater business, earning their first money selling popcorn. Now our oldest daughter and her husband are working full time as film booker and general manager. We would like to leave this operating business to our children, but it will not be possible if they must pay an estate tax on the appraised value of the business and buildings it has taken us years to accumulate and renovate.

The income of our business could not support the extra expense of the estate tax. The theater business is similar to other small business and farms where the value of the land, buildings, and equipment does not equate with the small profit derived from it. A huge tax on the value of the business is an extra expense the business can not pay. Therefore, upon our death, the theaters must be sold to pay the taxes.

When this business, our family has built, is sold it will leave our son-in-law and daughter with no means of support after devoting half their life to the company. They will be forced to start over at middle age. Yes, they will have some money, the amount remaining after taxes, real-estate, accountants, and lawyers fees, but certainly not enough to support them through old age. if the operation is not disrupted they can continue to be a stable tax payer and employer. I would also expect they would continue to provide quality movie theaters and possibly add more theaters in other small towns.

Please, this family has worked thirty years to build a profitable stable business we expected to continue into the next generations, please eliminate the Estate Tax.

Sincerely,

AYRON PICKERILL.

Should we be talking about this? Yes. Should we be talking about an energy spike? Yes. I have a situation in Montana where I have one concentrator that concentrates copper ore. They were shut down because of an electricity spike because of a policy of not allowing construction or the ability to generate more electricity. Maybe we better start talking about that. Yet some would embrace a policy to tear down the hydrodams on the Snake River and the Columbia River. Maybe we should start talking about that because that is going to throw a lot of moms and dads out of work. A lot of grandmas and grandpas aren't going to like that, either.

Who it hits is the small farmer. I can look around this body and I see my good friend from Wisconsin, where there are small farms over there; most of them are in the dairy business. They feed a few cattle, and they have hogs and a few sheep. They will find it very difficult to pass that along to their next of kin without paying a big tax. Why? Because during all this time we have been told of this great economic boom—and it has been on paper—rural America has not participated. Prices on the farm have not been that frisky, and they are not this year, either. What happens is that you are land rich and cash poor. Should something happen to the principal on that farm, it will probably sell at the steps. They will have to give it up to pay the estate taxes because, as land has gone up in value, just because of the demand for the land, not for what it will produce, it will have to sell.

If you want open areas and you want to protect the environment, do away with this estate tax and allow the open areas of America to stay open areas of America. As I have stated before, the truly wealthy do not pay that tax because they have CPAs and lawyers. They have an army of folks. They make sure they won't ever have to pay this tax. So it falls on the middle.

Large estates are still subject to capital gains. The other side won't talk about capital gains reform. Nonetheless, the large estates is where capital gains fall. Study after study shows that this tax imposes significant costs on the economy in terms of lower economic growth and less job creation. We are hurting enough in Montana.

We have to get our agriculture out of the doldrums. We have to be able to build an estate with a future, with the ability to give it to the next generation, letting it grow again, because we are a small business in Montana. I guess I am worrying about the folks who are on the land because I have participated in some of those sales. I am an auctioneer and proud of it. I never had the handle of being a lawyer—only an old cowboy who sputters numbers pretty well. I have sold out those folks and I know what they feel like. In fact, I sold out one, and when the sale was over and the settlement was all done, I gave them back my commission because, had I not done that, they would not have had anything.

If you want to do something for the children of this country, you ought to do something for education. If you want to do something about the quality of life in your sundown years, then allow estates to grow and allow them to be passed on to the next generation. We all work for our kids. That is what we are talking about. We are talking about a value we have had in this country since its inception. That is why we have grown. That is why we have more people who enjoy the good life in this society than in any other society.

That is what it is all about. We have a way in times of surplus of building even more wealth in your hometown rather than the wealth in Washington, DC. That wealth is in a bureaucracy that produces nothing. Let communities build. Don't jerk that money out of those communities. Let it grow. Let it grow at home. Let's pass this bill.

I yield the floor.

The PRESIDING OFFICER (Mr. CRAPO). The Senator from California is recognized.

Mrs. BOXER. Mr. President, I believe under a previous order I will be next to speak.

The PRESIDING OFFICER. The Senator is correct.

Mrs. BOXER. Thank you very much.

Mr. President, I hope people have been listening to this debate today because, frankly, I think it has been an important one so far. There are many people who are students of politics, and sometimes they get lost in what one party stands for versus what another party stands for. I think when you listen to these debates on the floor, many times you won't get the differences. But I think today you will get the differences between the parties. I think that is important. Regardless of what side you agree with, I think you need to know where people stand.

One of the absolute rights of the majority in the Senate—regardless of whether it is Republicans in charge, which is what we have now, or the Democrats, which we had when I first arrived here—is that the leaders have the very strong ability to set the agenda. That is one of the good things you get when you are in the leadership. You get to decide what you want to come to the floor. You get to take a look at the array of issues with which we deal, whether it is education or the environment or whether it is our children or our elderly or prescription drug benefits or Patients' Bill of Rights or pro-business legislation—whatever it is that you believe are the most important things. You get to decide which one of those things should come before the Senate.

As our majority leader has said many times, we are pressed for time. We have very few days remaining in this legislative agenda. We are in an election year. In many ways that limits our ability because of the press of time and the need to go to conventions, et cetera.

I think what this majority chooses to bring before us says a lot about who they are, whose side they are on, and in what they believe. The way my side of the aisle—the Democratic side of the aisle—responds to that agenda says a lot about who we are, whose side we are on, what we believe in, and for what we are going to fight. Today is a perfect day to draw the contrast.

Senator LOTT has chosen to put before us a repeal of the estate tax. I think you need to look at what that really means. What does it cost us in hard, cold dollars to repeal the estate tax? The answer is almost $1 trillion over 20 years.

Who in our society benefits from this repeal? What else could we do with that money if we decided to put this particular issue perhaps a little bit lower down on the priority list?

Once you look at all of these questions, I believe you will get a clear distinction of where the Democratic Party is and where the Republican Party is. I think that is good. You may come out supporting the Democratic Party, thinking they are on your side, or you may come out supporting the Republican Party and say they are on your side. That is what politics is all about. That is what debating is all about. But most important to me is that there are these defining differences and there is one of those defining differences.

Senator BURNS spoke about how repealing the estate tax is going to help ordinary Americans, and how important it is to help ordinary Americans.

I say to him that if he looks at the estate tax today, there are some inequities we can fix, and that we should fix that deal with family farms and smaller businesses and individuals. But to repeal the entire estate tax is helping those at the very top of the ladder. When I say top of the ladder, I mean those earning hundreds of millions of dollars and whose estates are worth hundreds of millions of dollars—perhaps into the billions of dollars.

If that is considered helping the ordinary person, then I guess I don't get it because when I travel around my State, the ordinary people and the average person are working really hard every day. Do you know what they are bringing home? They are bringing home $30,000 a year, $40,000 a year. And in California where we have to earn more, we have couples working. If they really do well, they may bring in $60,000, $70,000, or $80,000 a year. They are struggling at that range to buy a home. They are struggling at that range to find child care that is affordable and that is quality. They are struggling to help their parents meet their medical bills, yes, their pharmaceutical costs or perhaps long-term care or college tuition. They are struggling.

I say to my friends on the other side of the aisle that to couch this repeal of the estate tax as helping the average person is terribly misleading. Let me tell you why.

Right now, we have an estate tax that essentially says to a couple: You are exempted if you are worth up to about $1 million. It is exactly $1.2 million. You are exempt. There is an argument to be made that is not high enough given the value of housing, and so on. I can see why that ought to be raised.

The Democrats have an alternative. We raise it to $4 million for a couple so that in the future, children of couples who leave an estate of $4 million would have to pay nothing but only under $4 million. Do you know how many estates? That is a very small number of estates. Probably a percent and a half or so.

We say to farmers and small businesses: Yes, we understand the problem. We are going to increase the exemption for you from $2.6 million for a couple to $8 million per couple by 2010. So we are saying that to the small farmer and the businesspeople who for $8 million or less there is no estate taxes. Yes, it is going to cost something for our proposal, if we were offering it, because right now we haven't even gotten an agreement from the majority that we can offer our alternative. But it would cost $61 billion over 10 years compared to $105 billion over 10 years on the Republican side. It would cost over the next 10 years $300 billion compared to $750 billion.

The interesting thing is in our plan we essentially exempt almost everybody, except the very tiptop of the wealth scale. Yes, the Donald Trumps, the Leona Helmsleys, the Bill Gates of the world, who did so well in this the greatest country of all. Yes, their heirs may have to pay something to help the people who want the same chance they had. Because what do we do with the estate tax? It goes into defending our country. It goes into educating our people. It goes into health research to find a cure for Alzheimer's. The people at the very top of the ladder who I talk to say: You know, BARBARA, you have a lot of work to do. One of them isn't worrying about me. I am good. I am OK. My heirs can pay a little bit. It is OK.

But what do the Republicans do? They want to repeal the estate tax—not just for the small family farms, as we want to, and the small businesses and make sure that if they are worth $8 million they don't have to pay anything. They want to protect the people who are worth $10 million, $12 million, 20, 30, 40, 50, 60, 70, 80, 100, 200. Do I hear more? Yes, I do because there is no top. If you are worth $1 billion, your estate doesn't have to pay anything under their proposal.

To stand here and say that is protecting ordinary people—the average American—is just not true. I would prefer, if this was an honest statement, to say that we are going to help the richest people in this country because that is what they are doing. That is what they are doing.

This is an honest statement: Helping the richest people in this country who are worth $1 billion, $2 billion. You name it; there is no cap. To do that, it will cost $850 billion over the next 20 years.

We can fix the problem with the estate tax for less than half of that, and we can do some wonderful things with the rest of the funds that we save. What can we do? Why don't we look at the Tax Code. Why don't we understand that people who send kids to college have a very big expense. They could use a little help with a tax deduction or a tax credit.

I held a hearing on the crisis in quality child care. In California today—and I assume it is similar in Nevada—for every five kids who need quality child care, only one can get a slot. It is so expensive that people are saying they have to choose between paying their mortgage late and being assessed a late fee and paying child care.

Mr. REID. Will the Senator yield?

Mrs. BOXER. I am happy to yield to the Senator.

Mr. REID. I was in San Francisco recently and saw a headline in the newspaper that in San Francisco, nannies—people who take care of kids—are being paid an average of $60,000 a year.

Mrs. BOXER. It is out of control.

Mr. REID. What does that do to people who work for $30,000 a year who have a child or children? It makes it impossible.

Mrs. BOXER. We had testimony from parents and teachers who said sometimes parents are dropping their kids off at places where one would not want to drop a pet off, let alone a child.

Mr. REID. If the Senator will yield for another question, the Senator from California has led the Congress in afterschool programs. We need more money for afterschool programs. Some people have no money for the 2 or 3 hours after their child gets out of school and they get home. So we have latchkey kids, kids running in gangs.

Is that where it goes bad?

Mrs. BOXER. The Senator is absolutely correct. My friend is right. We tried so desperately in this Senate to simply get the funding for afterschool care up to the President's level. We failed.

Where were my friends who say they are fighting to repeal the estate tax, to help ordinary people? Where were they when I had a chance to take another million kids off the waiting list and put them into afterschool care so they wouldn't join gangs? They could not find the funds for that.

That is why I think this debate we are having today, I say to my assistant Democratic leader, is so important. It is all about priorities. The other side gets the chance to set the agenda. They overlook the people who need child care. They overlook the people who need afterschool. They do not want to do school construction. They do not want smaller class sizes. They do not want a real Patients' Bill of Rights. They do not want a guaranteed prescription drug benefit. Any don't even look at other tax breaks that are going to help people who send their kids to college with a tuition tax break.

They come out here, with their hearts full, and fight for the wealthiest people in this country. It is a fact.

Mr. REID. If the Senator will yield for another question, does the Senator recall how much money she was begging for on the elementary and secondary education bill, as well as on other occasions for afterschool programs? Remember how little that was?

Mrs. BOXER. Initially, it was little. Now we are simply asking for the President's level, which would be a couple hundred million dollars. I say to my friend, it is a lot less than this bill loses over the 20-year period.

Mr. REID. I further say to the Senator, as I understand it, in the second 10 years of this bill, we are talking not about millions; we are talking about billions. We are talking $750 billion.

The Senator is saying if we had the Cadillac of afterschool programs, it would cost $200 million?

Mrs. BOXER. If we had another $200 million, that would help reduce this waiting list. We were not able to get any increase whatever out of this particular Congress this year.

Mr. REID. I say to my friend, for each child who is kept from graduating from school, does the Senator recognize the cost on our society when that child drops out of school?

Mr. President, 3,000 children drop out of school each day. It costs our society untold suffering. That child unable to graduate from high school is less than they could be. It adds to the cost of the criminal justice system. It adds to the cost of the welfare system. It adds to the cost ultimately of the education system. Is the Senator also aware that 84 percent of the people who are in prisons in America today have no high school education?

Mrs. BOXER. I was not aware it was 84 percent, but my friend has been a leader on the whole issue of dropouts. His point is well taken.

We are looking at $850 billion over the next 20 years, just on this tax break, and they have others they will come up with, that are not capped, also, that will give to the top people. Yet they don't want to spend money on what will really make our society strong.

The point the Senator makes is so correct because I remember in the days I was in the House with the Senator, tracking the costs of a high school dropout to society every year. It was hundreds of millions of dollars in the course of their lifetime.

The Senator is exactly right, if we are talking about crime, if we are talking about drug abuse, if we are talking about alcohol abuse, if we are talking about people who are not productive, who cannot hold down jobs, who feel undervalued because they don't have a high school education. These are the competing priorities.

It amazes me how our friends can come with so much passion for the Donald Trumps, for the Leona Helmsleys, for the people who make all this money, and not have even a speck of compassion, it seems to me, for ordinary people.

Mr. REID. Will the Senator yield?

Mrs. BOXER. I am happy to yield to the Senator.

Mr. REID. The Senator recognizes that the minority, the Democrats, recognize this, and we want to increase the size of the estates that are not subject to the inheritance tax.

Mrs. BOXER. That is correct.

Mr. REID. It would increase the general exemption from $1.35 million per couple to $2 million per couple in 2 years, by the year 2002; and $4 million per couple by the year 2010.

Mrs. BOXER. I spoke about that.

Mr. REID. Is the Senator aware this makes just a few estates every year even subject to the tax?

Mrs. BOXER. Exactly. We move also on the exemption for farms and small businesses, and we go up to $8 million per couple by 2010 on that ladder, as well.

We are only talking about extremely large estates and a tiny percentage of people in this country. It is in the hundreds, really, who will wind up paying any type of estate tax—only those who have made it so big that, yes, maybe they can just give back a little bit to this country to pay for the defense of this country.

Mr. REID. As I understand the Senator, the Senator is saying the minority wants to raise the exemption of the estate tax. We want to, in effect, exclude most every small business and small farm in America from the estate tax.

Mrs. BOXER. That is correct.

Mr. REID. In addition to that, we are saying the really rich in this country, rather than give them a tax break, we should look at giving a tuition tax credit for people who want to send their children to college.

Mrs. BOXER. Exactly.

Mr. REID. We believe there should be some slack cut for child care programs that we have discussed on the Senate floor. And it would not be a bad idea to do something with afterschool programs and a number of other areas that help the working men and women of this country, and not the super rich—and I mean super rich. We are talking about a tax for not a millionaire, not a multimillionaire tax, but we are looking at maybe a billionaire tax.

Mrs. BOXER. That is what we are essentially saying. We really are saying that. That is why I say the question, whose side are you on, is very relevant to this debate.

We recognize the fact there has been inflation. We need to take another look at this estate tax. We are willing to make sure we help our family farmers. We want to help our small businesses. We want to help our individuals so their kids do not find themselves in a bind when they inherit the wealth from their families. We are willing to do that. We know President Clinton is willing to sign such a bill. We know he is going to veto the Republican version because he believes it is unfair to the middle class. He believes it is unfair.

What we are saying is we can take care of the problem and help those who have kids in college or who have kids in day care. We can give a prescription drug benefit that is guaranteed through Medicare to our seniors. We can do all these things and still have enough to do some debt reduction and a little bit for afterschool programs. That is how expensive this repeal is.

Mr. REID. Under the Senator's time, will she yield for another question?

Mrs. BOXER. Yes, I will be happy to yield.

Mr. REID. The Senator represents by far the largest populated State in the country, 33, 34 million people.

Mrs. BOXER. That is right.

Mr. REID. Its neighbor, the State of Nevada, the State I represent, has approximately 2 million people. The State of Nevada, under the old formula, does the Senator understand, has only 308 taxable estates?

Mrs. BOXER. Yes, 308.

Mr. REID. Mr. President, 308.

The other thing I ask the Senator is every State—I should not say every State because I am not certain it is true but I believe it is true—every State in the Union has an inheritance tax; if not every State, virtually every State. The State of Nevada 10 years ago passed its own inheritance tax.

Does the Senator realize there is an offset; that is, of the Federal tax that is collected, if a State has an inheritance tax of its own, it comes out first and goes to the State of Nevada or the State of California, for example, rather than the Federal Government?

Mrs. BOXER. Yes, 25 percent of the tax, as I understand it, goes back to our States.

Mr. REID. I ask the Senator if she knows, as I said, a portion of the estate tax goes to the States via estate tax credits as a revenuesharing provision with the States? In Nevada, 100 percent of the amount received through this estate tax credit is used for education, 50 percent is used for State university support, and 50 percent is used for elementary and secondary education. I ask my friend: Is it more important that we continue that, paid by only a fraction of the people in this country? In Nevada, instead of 308, under the new formula, it would be probably less than 100 estates, maybe closer to 70 estates.

The question is, Isn't it better we have—and I do not mean to denigrate him because he has done good things for the country; Bill Gates is worth $70 billion. If some misfortune overtook Bill Gates, shouldn't that huge estate pay some amount of money for education to the people of the State of Washington?

Mrs. BOXER. I answer that question in this way: I was discussing with another Senator a conversation he had with a very wealthy man who had made hundreds of millions, perhaps billions, of dollars, in the course of his lifetime in this country. Maybe this person is unusually kind and good hearted.

This person was saying to him: This great country made it possible for me to have this kind of accumulation of wealth, which is far beyond what any of my heirs need to have.

He can take care of his heirs for generations to come.

He said: But I have to admit that I earned all this money because a lot of folks worked for me, and those people got up every day. They did not become millionaires, but they did fine, and I want to make sure that, yes, I can help their kids.

That is what happens with an estate tax. How do we spend it? We defend the country for those kids. We help with education. We help with health research. We may find the cure for Alzheimer's for one of Bill Gates' future generations because of the funds we are able to put into health research.

Our friends on the other side of the aisle, in the name of helping ordinary people, are ignoring the fact that the Democratic alternative—which at this point we do not have permission to offer but I am very hopeful we will get that chance; it would be wonderful; they can support our alternative. They can ease the burden on the small family farms. They can ease the burden on the small businesses. They can ease the burden on couples who have accumulated wealth through, say, buying a house, for example, which went up greatly in value, such as they have in California. I do not want those kids to have to sell the home. That is why I am supporting the Democratic alternative.

We have an excellent alternative that costs less than half of what theirs does and allows us to help people pay for college. It will help grandmas and grandpas get prescription drugs. If our friends on the other side of the aisle really want a bill to become law, they should join hands with us because President Clinton said he will sign that bill. He will not sign the bill that he believes is helping people who are worth billions of dollars.

Mr. REID. Will the Senator yield for another question?

Mrs. BOXER. I will be happy to yield.

Mr. REID. Even in Silicon Valley, where there has been tremendous success and which has been the driving force of the high-tech industry, with the expensive homes, the Democratic version would help people there, wouldn't it?

Mrs. BOXER. I believe so.

Mr. REID. Of course it would, I say to my friend, because even though the estates there are bigger than a lot of places, we are talking about raising this to millions of dollars.

Mrs. BOXER. Exactly.

Mr. REID. Four million dollars.

Mrs. BOXER. All the people who need the help will be helped under the Democratic alternative.

Mr. REID. I say to my friend, even the very rich will be helped; isn't that true?

Mrs. BOXER. There is no doubt about it. If you define wealthy as $5 million, $6 million, $7 million, you are not going to have to pay anything if you are handing down a business, and up to $4 million for just the normal family exemption.

I say to my friend, another point I think we have not made strongly enough is that it is estimated by people on the Finance Committee that the Republican plan could discourage $250 billion in charitable contributions over 10 years. Why is that? We know people look at their estate planning and they look at different ways they are going to handle it. They say: OK, I will give so much to Uncle Sam, but I also want to give some to my favorite charities.

The charities are up in arms about this. My friends on the other side of the aisle are often saying how important the role of charities are, and they are right; they are very important. Yet we have estimates that say the drain on charitable pursuits could go down $250 billion. That is not good news for those folks out there who run the community symphonies and the ballets and the various nonprofits.

If we proceed with the Democratic alternative, we will be easing the burden on the people who need the burden eased; it is costing less than half of what the Republican plan will cost; it is saying to the wealthiest among us—and I am talking about the superwealthiest, as my friends put it—we want you to do well, but we know you understand the facts of life which are if we take this kind of money out of the Federal Government, we cannot do enough for our child care tax credits and for our afterschool programs. We cannot do enough for those in the middle class who are sending their kids to college. That costs a lot.

The fact is, we have other things we can do that can bring much more relief to ordinary, average American families.

I am going to close the way I opened, and that is to reiterate that I think this debate today has been a very important debate. It is true we are taking some time here, but many times people complain they do not see the differences between the parties; they do not understand what we stand for.

If they did nothing more than to look at the Democratic alternative, which cures a problem but is fair in its reach, if they did nothing more than take a look at the things that we still need to do, the unfinished business around here, to help our people—if I have to hear one more story about a patient in California who tells me that she cannot afford her prescription drugs, when I know we have the resources; just look at the Republican proposal—if you just exempted those who need it, you would have enough left over to take care of the grandma and the grandpa and the person sending their kid to college and the person struggling to pay for child care; we would have enough to do the things we need to do.

I hope the American people will take heed of this debate because in the end it is whose side are you on. I think at the end of the debate they can truly answer the question: Whose side are the Republicans on? The Donald Trumps, the Leona HELMSleys. Whose side are the Democrats on? Ordinary working, middle-class families are who we want to help.

I yield to my friend for a question.

Mr. REID. As I understand it, what the Senator is saying is, yes, we Democrats are willing to lower the taxes on the wealthy, but we do not want to take them away completely?

Mrs. BOXER. Exactly right. We are simply looking at the wealthy people, who we believe are not being treated fairly because perhaps their wealth is tied up in a family farm, in a small business, in a private home, and we say, fair enough, we do not want to see your family be forced to sell these assets. We do not want that to happen. In our alternative, we take care of this. But we do it in a way that is fiscally responsible, that leaves enough to take care of the pressing needs of our people, which everybody seems to think we have—prescription drugs, afterschool care, making sure that our kids get a decent quality education. Frankly, if we can just be moderate in our approach, we can do all of those things and come out on the side of ordinary Americans and be proud of ourselves.

I only hope that as this debate moves forward, the Democrats have a right to offer our alternative, and that some of our friends on the other side of the aisle will recognize that if they join with us, we will have a bill that is fair, that is good, that can take care of our other needs, and that the President will sign into law.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, I rise this afternoon in strong support of the House legislation that would repeal the death tax for working Americans. I support this bill because death taxes are just basically, bottom line, anti-American, antifamily, antieconomic, and antijob growth. The death taxes are just plain unfair. They are unjust, and they must be eliminated.

I know our friends on the other side of the aisle are just so enamored by being able to take some dollars from somebody so they can direct them to the causes they believe are the best. They want to direct where the money goes. They are saying we should take these dollars from these individuals or these families or these groups and bring it to Washington so we can decide in Washington how the money should be spent—not the individual who earned the money, not the trust funds that they might set up.

They always throw around the names of Bill Gates, Donald Trump, and Leona Helmsley. I do not see anything wrong with what they have done and what they have contributed. But somehow if they want to direct or control their money, even after death, somehow my friends on the other side of the aisle have a problem with that. In fact, if I am not mistaken, I think Mr. Gates has already set up a huge trust fund of about $20 billion to be given to charitable causes.

I hear over there that there would be a reduction in charitable giving. So somehow, if the Government took less of the money from you in taxes, you, in turn, would say: I have more money now, so I am going to give less to charity, or somehow, if the Government takes more from you in taxes, you are going to be more charitable with the little bit you have left.

I think the real debate here is, again, fairness, equity, and who is going to control or direct the money. Are we going to listen and have it all directed from here; That somehow they know better how to spend the money? They want to generate, control, and grow more Government, that it is more efficient, can deliver better services, and is more fair to Americans.

To me, this is nothing but greed on behalf of some politicians who want to control people. As I said, even after they are dead, they want to take even more money from them.

But their estates give back just a ''little bit'' in taxes. I do not call 55 percent of everything you worked for, and managed to save, put away, a ''little bit.'' Fifty-five percent—give back a ''little bit.'' Or the heirs should be happy to get half of the estate that your family has worked for, for nothing. You have probably been a part of it. And then after death, the Government can come in and grab 55 percent, and you should be happy because you get what is left over. Don't say anything. Just sit there and be happy because the Federal Government, in all its wisdom, is going to direct those dollars to the best causes and, indirectly, somehow they are going to benefit you and every other American.

There might be waste, fraud, and abuse going through the systems we have today, but if we only pump a little more money into it, or if we can only create more Government, somehow this is better than allowing an individual to decide how that money is going to be spent, what charities that individual wants to give to, what educational programs they want to support. But, no, somehow it is better if it comes to Washington.

But as you know, the Federal death tax is similar to the income tax. It was first imposed as just a temporary measure to finance World War I. Ronald Reagan said: There is nothing more permanent than a temporary Government program.

This is just a great example. The excise tax on the telephone—that was just repealed here a little while ago—imposed 100 years ago as a temporary tax is another great example.

Here is a temporary tax to help finance World War I. It was temporary. But once people get their hands on the money, they somehow believe they have more of a right to your labor than you do, that somehow they have more of a right to the money that you have worked for or generated than you do.

Why? When death taxes became permanent in 1916, estates under $9 million—that is in today's dollars—were not taxed at all. Death taxes later evolved to supposedly prevent the buildup of inherited wealth. The Government wanted to prevent the buildup of inherited wealth.

This idea of social engineering has made the death taxes, which now range from 37 percent to 55 percent, substantially higher than any other Federal taxes. The lowest estate tax rate is almost as high as the highest income tax rate, which is now, thanks to President Bill Clinton and the Democratic bill passed in 1993, the highest income tax rate, 39.6 percent.

Keep in mind the death taxes are levied on earnings and assets that have already been subject to income, payroll taxes, and other taxes at the Federal and State level. In other words, you have worked all your life. You have paid taxes up front on your income, on your profits. This is moneys that you have taken home after taxes, where you built an estate and somehow now they believe that you should pay just a ''little bit'' more—just a ''little bit''—and, oh, by the way, only on the most wealthy in this country. If you have a farmer with $1 million out there driving a 1975 pickup, and he happens to die unexpectedly, he is among those wealthy individuals that we talk about.

Yes, they throw around the names of Bill Gates and Donald Trump, as if somehow they are bad people, but what they do is they try to camouflage the real reason for this bill, and that is, to get their hands on additional moneys. Despite the efforts by liberals, deaths taxes have failed to accomplish their stated purposes and instead have created inequality and injustice that hurts millions of Americans. Instead, this is one of the most expensive taxes imposed, and it does some of the most damage on the individuals who this money is taken from.

In fact, I think there are studies out there that have said, if we eliminated the inheritance tax, the estate tax, the death tax, that it would almost be a wash to the Federal Treasury because it costs billions of dollars today to administer because of all the audits and everything that has to be done.

It is costing billions of dollars to impose this tax. Then when we look at the damage it does to farms, to small businesses, to individuals, jobs that are lost, businesses that are lost, tax dollars that are lost, of course, in the process, the Government comes out probably a loser. There are many who would bet that if we could eliminate this death tax today, it would not affect the revenues and, in fact, we would probably have even larger economic growth; that the revenues to the Federal Treasury would be even larger because of it.

It is a punitive, mean-spirited, unfair, unjust, antijob, antieconomic tax that the other side of the aisle seems to like to impose on Americans, successful Americans or Americans just trying to hang on to their farm or their small business.

Let me give a few examples of how death taxes are hurting working Americans. My good friends on the other side of the aisle say they don't want to hear any more of these stories, but we have a lot of these stories because they affect millions of Americans every year.

John Batey of Tennessee runs a 500-acre family farm that has been a part of the Batey family for about 192 years. John has spent all of his life on his family's farm and, as most other farmers, he plans to be a good steward of the land, to save and to build his assets and some day leave the farm to his children.

After the death of his father 5 years ago and the death of his mother last June, John began to settle his parents' estate. As he was about to take over the family farm, the IRS sent him a death tax bill for a quarter of a million dollars, on a 500-acre farm in Tennessee, a quarter of a million dollar tax bite. The value of the farmland had increased significantly, but the death tax exemption has never been indexed. John had no choice but to sell some other assets. He also had to dip into their life savings and even borrow money to pay Uncle Sam.

Now, when we talk about wanting to have a prescription drug benefit, everything else, what kind of a financial shape has it put this family in? It has taken them from being able to pay and make due for themselves and exposed them to financial ruin and the need possibly of having to come to the Government begging for help because we have taken all their money. Now they are in debt, have less of their assets, and their savings are gone so they can pay Uncle Sam this unfair, unjust death tax. Somehow the big spenders in Washington needed that money more than John and his family needed it for their own well-being.

The story of Lee Ann Goddard Ferris, who testified during the Senate Finance Committee hearing, is another disheartening story. This isn't the Bill Gates of the world. This isn't Donald Trump, Leona Helmsley. This is Lee Ann Goddard Ferris. Her family owns a cattle ranch in Idaho which prospered through 60 years of hard work by her grandfather and father. By the way, they accumulated this after they paid the taxes on all of their income up to this point. In the fall of 1993, her father was accidentally killed when his clothing got caught in farm machinery. The unexpected death was devastating on the family, but so was the news from their attorney. Later on he told them: There is no way you can keep this place, absolutely no way. They said: Well, how can this be? We own the land. We have no debt. We lost my father, but now how are we going to lose the ranch? We don't have a mortgage on this place.

According to Lee Ann, in her testimony before the Finance Committee:

> Our attorney proceeded to pencil out the estate taxes . . . and we all sat back in total shock.

When their mother dies, the lawyer told the family, estate taxes will be $3.3 million. I know that is just a little bit, just giving back a little bit of what has been generated by Washington and this great economy, not by the hard work of millions and millions of Americans. You didn't do anything to create this economy. It all came out of here, out of Washington. You have benefited from it because of the benevolence and the wisdom out of Washington, not your hard work, not your brainpower, but Washington created this environment. We have heard this on the floor, that because Washington has done this, you have been the one who has taken advantage of it. So you should give back just a little bit to help, $3.3 million for a family in Idaho from a cattle ranch, just a little bit.

According to Ferris, the family had to sell off a parcel of land. They did this so they could buy a $1 million life insurance policy for her mother in the event that she should suddenly die. That would pay off one-third of the estate tax. The question still is, How will they handle the remaining $2 million? They already had to sell some assets to go out and buy this huge insurance policy. That only takes care of 33 percent. Who will pay the remaining $2 million? Ferris says she doesn't know. When her mother passes away, they are going to have to figure out another way of paying the other $2 million. Will that be in the sale of more of their assets, selling off more of the farm, basically driving them off the land and putting them somewhere else?

Timothy Scanlan, from my State of Minnesota, owns a family business. His family has built their business over the last 80 years. Their business has created many jobs. It has offered fine products. Again, they have paid taxes all their lives on everything. You are taxed to death the way it is now; the estate tax just finishes the job. They paid taxes, and they have never asked the Government for a handout. When his father and mother died a few years ago, the estates tax took nearly 60 percent of the value of his family business. Mr. Scanlan says:

> I am now trying to plan for the fourth generation to take over. As of today, it can't be done. We've worked so hard to create something good that we've created a company that has so much value that we would have to sell it in order to pay the taxes. Families, companies and farmers like us are a small minority working hard for generations only to have our government tax us out of our family business.

This isn't Bill Gates. This isn't Donald Trump. This isn't Leona Helmsley. These are average Americans.

There are many more stories such as these clearly showing that the death tax has hurt hard-working Americans the most. Not the rich; the rich can hire the lawyers. They can hire the estate planners to avoid all these taxes. We are not talking about tax relief for the wealthy, as some claim. I am not here trying to defend the wealthy. They are going to take care of themselves. It might cost them a couple million dollars to go out and hire people to set up the shelters they need. They will do that.

Why are we doing this? Why are we costing millions of dollars in the private sector, billions of dollars in the public sector to try to levy an unfair, unjust, antieconomic tax that hurts millions of Americans?

Realizing this injustice, the Republican-controlled Congress began to provide death tax relief in 1997 to farmers and small business owners by increasing the exemption from $600,000 to $1.2 million. When I talked about how increasing taxes of the Federal Government or eliminating the estate tax would almost be a wash, statistics show that about one-third of the surpluses we enjoy today are the direct result of the tax cuts in 1997. It means if we can reduce taxes, the economy grows. The economic pie gets bigger. The economic opportunities are better. The wages can improve. But, no, if you tax something, you get less of it. If that is what we want to do, continue to tax Americans into submission with these death taxes and having to break up or sell their businesses and farms, that is exactly what this unfair tax does.

There are crocodile tears about how if we can only collect this money, how much good can we do with this. Washington can do so much good. Just let us collect this tax, just a little bit of it—by the way, 55 percent—let us collect it, and we will continue these great Government programs. In fact, we will even create some new ones to go along with them.

Last year, we passed the Taxpayers Refund Act. For the first time ever, we voted to completely repeal the Federal death tax. Despite the fact that the President's own White House conference on small business made death tax repeal a top legislative priority, President Clinton vetoed this tax relief legislation.

When I travel around the State of Minnesota, I talk to hundreds of farmers. The one thing they tell me would help them most is the repeal of the death tax.

The average age of the majority of the farmers in Minnesota is 58. Within 10 years, there is going to be a tremendous shift of wealth of farmland and farm assets in Minnesota. Right now a lot of those assets are going to go to the Government, and it is going to drive the next generation off the farm because they won't be able to afford to do it.

I don't know where those farm assets are going to end up, but, because of this unfair tax, the majority of farmers in Minnesota tell me that would be their No. 1 priority. If we want to help rural America, if we want to help rural Minnesota, rural Wisconsin, the best thing we could do is help these farmers by getting rid of this death tax to allow them to pass their assets from generation to generation.

But again, despite the fact that the President's White House Conference on Small Business made the death tax repeal a top legislative priority, President Clinton vetoed this tax relief legislation. This is an administration that does not want to give one dime in tax relief—not one dime. In fact, the President's own bill that he submitted this year, which had a tax relief component included, would actually raise taxes this year by $9 billion. That is the President's version of tax relief. We will raise your taxes $9 billion this year. That is real tax relief.

Here is another example of a President who doesn't want less taxes but more taxes. It is supported by our good friends on the other side of the aisle.

Our Democratic colleagues insist that a cut in the death tax is a tax cut for the rich, and they ''can hardly justify a costly tax cut that benefits some of the wealthiest taxpayers.''

That is simply wrong. As I said earlier, it is the family farms and the small business owners whom the death tax particularly harms; it is not the rich. That is just cover, a smokescreen. That is the magician saying: Look at this hand, not at what I am doing here with this other hand. Concentrate on the super rich, but don't worry about the average middle-income taxpayer or small businesses.

A typical family farm could be valued at several million dollars due to land appreciation and the expensive farm equipment needed. I have said so many times that a farmer can die and can be worth $2 million or $3 million, but it is all in assets, value, and equipment. He has probably never driven a new pickup in his life and has worn his gloves until he can't hold them anymore. Yet, when he dies, he is a millionaire who should ''give just a little bit back.'' Don't pass on the family farm; let Washington have it.

Many farms may never even earn a penny of profit. When the head of the household dies, the family can't come up with the money for estate taxes. They don't have a quarter million dollars in cash-flow. Everything they have is normally invested in the farm, in the assets and equipment. But they have to come up with money to pay the estate tax, and that means they have to sell equipment or land—in other words, break up the family farm.

This is the main reason we lose about 1,000 family farms each year in my State of Minnesota alone. They are driven out of business because of the estate tax. Are these rich people? No, they are hard-working Americans. I strongly believe Government policies should not punish those who have worked hard and been out there building up farms and businesses. There are many compelling reasons to end this unfair and unjust death tax:

First, the American dream is to work hard and make life better for their children. Here, if you work hard and put everything into it, you break your back to do it, if you are successful, they are going to penalize you. You may have built a business from the ground up, brick by brick, acre by acre, founded on persistence and determination, but if you are successful, they are going to break you.

Years of hard work eventually pay off. Their business thrives, farms prosper, and when the time comes to retire or leave the world, they are proud to pass something on to their children. But, wait, there is the tax man. By allowing them to build upon the success their parents and grandparents had achieved, they know they have given their children a good head start—again, until the tax collector steps in to demand Washington's share, taking up to 55 percent of the estate. As the witness said earlier in her testimony before the Finance Committee, her attorney said, ''There is no way you can continue to operate this farm because you have to pay the taxes.''

Once the Federal Government has finished taking its portion of the estate, few family businesses and farms can survive. Their heirs may be forced to sell off all or part of the business—again, just to satisfy the tax bill. All of the years of hard work poured into the creation of a piece of security for their family and their future evaporates. Oh, no, this is only for the rich, for the wealthiest. Again, that is a smokescreen to divert your attention, saying: Good, tax the rich people. But those ''rich'' people are many, many Americans—not a few but many average Americans.

Newt Gingrich once said, ''You should not have to visit the undertaker and the tax man on the same day.''

I think Mr. Gingrich was right. Research shows that 70 percent of family businesses do not survive through the second generation. Eighty-seven percent don't make it through the third generation. The death tax is a major factor contributing to the demise of family businesses and, as I said earlier, family farms. Nine out of ten successors whose family-owned businesses failed within 3 years of the principal owner's death said it was trouble paying the estate taxes that contributed to the company's demise.

I think Senator BURNS earlier talked about the year after year after year of payments a family had to make to the Government—$14,000 a year, $15,000 a year, $17,000 a year, and their dad had died 13 years earlier. So they were still trying to make a profit and pay the bills and then pay the tax man over and above their other taxes.

In fact, under the current tax system, it is cheaper to sell the family-owned business before death—cheaper to sell it before you die—rather than pass the business on to one's heirs. That is what happens a lot of times. You can't afford to die, so you have to sell the business beforehand so you can pay less taxes, and you help your family more than by waiting until you die.

No growing business can remain competitive in a tax regime that imposes tax rates as high as 55 percent upon the death of the founder or owner. Clearly, the Nation's estate tax laws penalize those who have worked the hardest to get ahead. Instead of encouraging family-owned businesses, the Federal Government has enacted tax policies that are a barrier to a better economy and better jobs.

A good question would be: On what moral ground should the Federal death tax be allowed to continue to punish hard-working Americans? If a death tax is unfair on somebody with a $500,000 estate, or a $50,000 estate, or if it is unfair to somebody with a $2 million estate—and now our good friends on the other side of the aisle say we will even grow that to $10 million—if it is unfair to a $10 million estate, how can it become fair or morally right on anything above that? On what moral ground should the Federal death tax be allowed to continue?

Revenue from death taxes accounts for about 1 percent of Federal tax receipts. But the real loss to the Federal Treasury could be much greater. It takes 65 cents to collect every dollar. Again, I told you it is a very expensive tax to go out and try to collect because of all of the auditing and everything that has to be done. So it takes 65 cents to collect a dollar. If we take in $20 billion a year, we have spent about $13 billion to collect it. It is an unfair tax, an immoral tax, which can drive these families out of business; and we lose even more revenue in lost jobs, lost productivity, not to mention the revenue loss from payroll, income, and other taxes when businesses are destroyed and those jobs are lost.

The death tax provisions are so complicated that family-owned businesses must spend approximately $33,138 over 6.5 years on attorneys, accountants, and financial experts to assist in estate planning.

Eliminating the estate tax would have a nominal impact on Washington's $1.8 trillion budget. When you look at the money we would save and the additional tax revenues, we could probably gain from the payroll and other taxes—and, again, this could be a wash—and we don't disrupt or destroy businesses, lives, and jobs.

But by encouraging savings, investing, and the establishment of more family-run businesses, the economic benefits for average Americans would be tremendous. There are many average Americans out there losing their jobs every time one of these businesses has to close or have assets sold off. So it disrupts many people, not just the owners of the business, but many who rely on the business for a livelihood to support their families.

Research shows that repeal of death taxes will create more than 275,000 jobs in the next 10 years. It will create 275,000 jobs if we can get rid of the death tax. We heard one claim that somehow there would be a reduction in charitable giving. So, somehow, if the Government takes less, you are not going to give as much to your favorite charity. I think if you had more money in your pocket at the end of the year, you might give more.

Americans are the most charitable people in the world, giving tens of billions of dollars a year. But the Government wants to take some of that because the Government, again, can be more benevolent or charitable with your money.

I wrote this point down, too. The Democrats said, ''We want to help.'' Who? How? By taking money from some people so they can decide how to disburse it to others, rather than letting the individuals who own the assets make the decisions on charitable giving, whether to their schools, or their alma mater, churches, groups in their community, the Boy Scouts. Billions of dollars a year are distributed this way in charitable giving.

I don't think we need the Government to step in and say: No, we can do that better.

Again, research shows that repeal of death taxes will create more than 275,000 jobs in the next 10 years; that it will increase the gross domestic product by more than $1 trillion; and it could increase capital stock by $1.7 trillion.

It sounds to me as if there is another side of this argument —that getting rid of this unfair, unjust, and immoral tax would actually be an economic benefit to millions of Americans and to the Federal Government, for one. With such economic growth, Federal revenues would grow higher as well. Even Washington would benefit if we could get rid of this tax. But they can't see past the blinds. They say: No, we have to continue to penalize these people; we have to continue to take their money; we dare not to do that.

Congress can and should help working Americans keep their family assets by eliminating the damaging estate tax. I strongly urge my colleagues to vote to repeal this tax.

In the next few weeks, the Senate will be considering other important legislation to provide meaningful tax relief for working Americans, such as marriage penalty tax relief. I believe all of these efforts are critical to help ease the tax burden on American families against the marriage penalty.

Why do they call it a penalty? It is an unfair tax because, if a couple decides to get married, the Government wants to take more money unfairly. It is unjust. The estate tax is not different.

I know President Clinton said one time at a news conference a couple of years back, well, it might be an unfair tax but Washington needs the money—something in that respect. I am not quoting him word for word. But that was the gist of it; that somehow Washington needed the money even though it was unfair to take it, or it wasn't the right means of extracting more money from Americans, but somehow Washington needed it. Now we need even more because Washington can do better.

I believe all of these efforts, however, are critical. If we can get rid of the death tax and help to ease or eliminate the marriage penalty tax, it would help ease the tax burden on American families.

I again quote these numbers. It says here that research shows the repeal of the death tax will create more than 275,000 jobs in the next 10 years. It will increase our gross domestic product by more than $1 trillion. It will increase capital stock by $1.7 trillion. There would be a lot of financial advantages.

I also hope in the second reconciliation legislation Congress can consider and pass tax relief for American seniors by repealing all of the taxes on their retirement benefits.

Again, this administration and this President decided to increase taxes on the senior citizens receiving Social Security. They increased their taxes in 1993. That is another tax that I think we should repeal.

We talk about seniors not having enough money; that they have to decide between meals and medicine. They have to do that because Washington has decided to take more of their money. We need to repeal that tax on our senior citizens as well.

I challenge President Clinton to sign these tax relief measures into law so the American people can keep a little more of their own money for their own priorities and so they can make the decisions on how that should be done.

Again, I strongly urge my colleagues to vote in support of repealing the estate tax—the death tax—along with these other taxes to give Americans the ability to keep a little more of their hard-earned money.

I thank the President. I yield the floor.

The PRESIDING OFFICER (Mr. DEWINE). The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, as you know, this is one of those days that you actually look forward to when you are running for the Senate. I had an opportunity to be on the floor for virtually the entire debate today concerning the estate tax. It is actually a very welcome debate. But let me be clear. Democrats, as well as Republicans, welcome the opportunity to eliminate the estate tax for middle-income Americans and families who own small businesses and family farms.

We, on this side of the aisle, believe that we can completely abolish the estate tax for the overwhelming majority of American families who this tax affects at a fraction of the cost of the Republican proposal. Why is that? It is because, unfortunately, the Republican proposal focuses so much of the revenue that is available on the superwealthy.

When Senators give examples, as they have done today, they are often using one kind of example that the Democratic alternative would take care of, but their proposal actually spends great amounts of revenue on people who are actually not in the same position as the families which various Senators have described.

For example, the Senator from Montana, Senator BURNS, came out and very appropriately referred to the various Wisconsin farmers, dairy farmers, hog farmers, and feed farmers. He said this was the purpose of the repeal of the estate tax. But the fact is, you don't need to completely repeal the estate tax for everyone in the United States of America in order to take care of the problem of every family farmer in Wisconsin with regard to the estate tax. In fact, most of them don't face an estate tax at all given the exemptions under current law.

So this notion that somehow the Democrats are against taking care of the problems of farmers who are land rich and cash poor is simply untrue. It is not the Democratic position. In fact, it is just the opposite.

Senator GRAMS of Minnesota comes out and gives the example of the family from Idaho that faces a $3.3 million tax burden on the estate tax. He fails to point out that, under the Conrad-Moynihan proposal, that family would get at least substantial estate tax relief, and, we believe, although we would have to check it, perhaps a complete exemption from the estate tax. So the very example that the Senators from the other side of the aisle have used do not support their point. Those examples would be taken care of, I believe, under the Conrad-Moynihan proposal.

It is really a bit of a bait-and-switch approach. You come out and give the very appropriate examples of families who may need some estate tax relief, but the actual proposal spends a great deal of available revenue in this country on folks who, frankly, are not as desperately in need of this kind of relief.

This debate is very welcome because it gives us a chance to talk about what is most important. This motion to proceed allows us an opportunity to actually contrast the majority's priorities with those of the American people. This is a thread that has gone through the comments today of many of us on our side of the aisle—Senator DORGAN of North Dakota, to Senator WELLSTONE, to Senator BOXER. They pointed out that this is a great chance to talk about what the priorities are for the American people.

That is another thing I imagined I would have a chance to do when I came to the Senate. We like to deal in specific subjects and try to give a little expertise and show that we know something specific. But there are also days when we come out and, say, take this subject and that subject and compare them and see what is the most important thing for the American people. Fortunately, the debate today has allowed that opportunity.

By moving to this bill and by trying to pass this bill the way it is written with not just sensible estate tax reform but massive tax cuts for the extremely wealthy, the majority makes clear that it favors tax cuts for the very wealthy above anything else.

No, the majority's priorities are not those of working Americans.

Let me begin by discussing the estate tax, and why the majority's plan to completely repeal the estate tax is wrong.

To begin with, the estate tax affects only the wealthiest property holders. In 1997, only 42,901 estates paid the tax. That is the wealthiest 1.9 percent. People are already exempt from the tax in 98 out of 100 cases. Let me repeat that. Already, under current law, 98 out of 100 cases are completely exempt from the Federal estate tax.

This year individual estates up to $675,000 are exempt from taxation, and each spouse in a couple can claim that $675,000 exemption. So a couple can already, under current law, effectively exempt $1.35 million from the tax. To add to that, Congress has already enacted useful expansions of the exemption that have not yet taken effect.

By 2006, individual estates up to $1 million will be exempt and, therefore, couples will be able to exempt $2 million in tax. Had those exemptions been in effect in 1997, more than 44 percent of the estates that paid tax—remembering that most of them didn't pay tax in the first place anyway at that point—those still paying tax in 1997 would have been completely exempt.

In 1997, Congress also raised the exemption for family farms and small businesses, the ones that the Senators on the other side of the aisle have cited needing relief. In 1997, we raised the exemption for the family farm and small businesses to $1.3 million for an individual and $2.6 million for a couple. Small businesses and farms can also exclude part of the value of real property used in their operations. Those very few businesses and farms that are still subject to tax can pay it in installments over 14 years at below market interest rates.

In 1997, Congress went a long way toward making the estate tax less of a burden. Already in 1997, the superwealthy were paying most of the estate tax. The wealthiest 1 in 1,000 with estates larger than $5 million paid half the estate tax that year. That is why the Republican idea—and this is the Republican idea not to cut the estate tax, as they will say when they are giving their example—the Republican idea is to repeal the estate tax completely. That is tilted too heavily to the very wealthy. The Republican estate tax repeal would give the wealthiest 2,400 estates, the ones that now pay half the estate tax, an average tax cut just on the estate tax of $3.4 million each. Remember, we are talking about a situation where 98 out of 100 people get zero, nothing, from this estate tax cut.

Last month, Forbes magazine estimated that Mr. Bill Gates is personally worth about $60 billion. If, heaven forbid, Mr. and Mrs. Gates were to pass away and the Republican bill was fully in effect, if they otherwise would have paid the same average effective tax rate that the largest estates paid in 1997, then, believe it or not, this bill would give Bill Gates' heirs alone, just for those people in that family inheriting the money, an $8.4 billion tax break; $8.4 billion in revenue that we currently collect would go to this one family.

Think of how hard we worked on this Senate floor in bill after bill to find savings in deficit reductions that would somehow come together to reach that large figure, $8.4 billion. Think of how hard we debated programs and tax cuts that cost much less than $8.4 billion. Is the $8.4 billion tax cut for the family of Bill Gates the highest and best use of whatever budget surplus we may have? That is why Democrats can eliminate the estate tax for the vast majority of estates at a fraction of the cost.

As I noted, 44 percent of estates that paid tax in 1997 would have been completely exempt from tax if the exemption were raised to $1 million. Fully 85 percent of the estates would have paid no tax if the exemption had been raised to $2.5 million.

Senators CONRAD and MOYNIHAN have been working on a proposal that will eliminate the estate tax for most people for whom it would apply today, and to do so for substantially less cost than the majority's bill. I think the Democratic alternative is a good substitute. We ought to pass it. We ought to send it to the President for his signature.

If the majority fails to adopt that reasonable amendment, however, we will have others. One of the reasons I welcome this debate is because I am looking forward to offering an amendment that will try something else, that will simply maintain the estate tax on estates of $20 million or more. We are talking about estates of $20 million. We are certainly no longer talking about upper-middle-income families. We are talking about estates of $20 million. I don't think we are talking anymore about small businesses the way most people understand that term. In 1997, there were only 329 estates in the country that amounted to more than $20 million. But those 329 estates are worth $25 billion. We are talking about estates that average $75 million each. The majority's estate tax bill gives the heirs of estates such as those 329 multimillionaire estates a tax cut that averages $10.5 million each.

I am looking forward to this debate to see if the majority can at least keep itself from giving this massive tax cut, averaging $10.5 million each, to the wealthiest 1 in 10,000. We will see.

The point of amendments such as these is that an estate tax for the superwealthy does, in fact, serve some important social purposes. Yes, some sensible reforms are in order to increase the exemption to the estate tax for middle-income Americans, and certainly to address the special needs of small businesses and farmers. But the majority's position is too extreme. We live in a time of an increasing concentration of wealth. Last September, the Wall Street Journal reported in 1997 the Nation's wealthiest 10 percent owned 73 percent of the Nation's net worth. That is up from 68 percent in 1983. With the stock market boom of the 1990s, the wealthiest have done very well, indeed.

Those who hold this great wealth are in a better position to shoulder some of the costs of our society. An estate tax for the superwealthy makes them help out. It is ironic, just when the very wealthiest are doing as well as they have since the gilded age, the Republicans decide that the very wealthy deserve—and what we most need to do—is another tax break. An estate tax for the superwealthy also serves as a backstop to the income tax, ensuring that some income on which income tax is deferred or avoided is ultimately subject to at least some tax.

For example, because the income tax law steps up the basis of per capita gains on the value of a piece of property at the time of inheritance, no one pays income tax on capital gains that an individual built up on property the individual owns at the time of death, and, therefore, the estate tax provides the worthwhile social purpose, I believe, that the superwealthy have to at least make up for some of that.

I think there is a worthy point that has been debated a little bit in the last hour. An estate tax for the superwealthy does encourage charitable giving as Senator BOXER from California pointed out. A complete repeal of the estate tax would land a devastating blow on colleges, churches, museums, and other charitable institutions that rely on donors to leave gifts. The majority's repeal of the estate could well reduce charitable gifts and bequests by $6 billion annually.

The majority bill would be immensely expensive. The Joint Committee on Taxation projects that the majority bill would cost $105 billion over 10 years. Because the bill is phased in slowly over 10 years, its cost would actually explode even more in the second 10 years. When fully phased in, the bill would cost at least $50 billion a year, or more than $500 billion a decade. In fact, the Treasury Department says the figure would be about $750 billion over the decade.

Are tax cuts for the superwealthy the first place that we as a Nation want to spend more than half a trillion or three-quarters of a trillion dollars of the surplus?

Yes, it is true; some of the speakers on the other side have said America's economy is still strong. The Nation is enjoying the longest economic expansion in its history. Unemployment is at lowest in three decades, and home ownership is at the highest rate on record at 67 percent.

Several causes contributed to the current economic expansion, and it cannot be denied that a key contributor to our booming economy has been the Government's fiscal responsibility since 1993. I am very proud of that, as are many Members. The first tough vote I took was to support the President's deficit reduction plan in 1993. It worked, and it worked very well.

This responsible fiscal policy means that the Government has borrowed less from the public than it otherwise would have, and will have paid down $300 billion in publicly-debt held by October of this year. The Government no longer crowds out private borrowers from the credit market. The Government no longer bids up the price of borrowing—that is, interest rates—to finance its huge debt.

Because of our fiscal responsibility, interest rates are, so far, lower than they otherwise would be. Because of our fiscal responsibility, millions of American have saved money on their mortgages, car loans, and student loans. Because of our fiscal responsibility, businesses large and small have found it easier to invest and spur yet more new growth.

Massive tax cuts like the one before us today I think pose the greatest single threat to that responsible fiscal policy, and to the strong economy to which it has contributed. It is no secret and it has been essentially admitted to by the previous speaker, the Senator from Minnesota: The majority intends to pass—in one bill after another—a massive tax cut plan reminiscent of the early 1980s.

The majority leader said as much in a Republican radio address over the recess. After rattling off a series of tax cuts, the majority leader said, ''Put all this together and we call it 'First Things First' ''

I think it is supremely ironic that the majority leader chose to use those exact words, ''first things first,'' for in so doing, he echoed what President Clinton said in his 1998 State of the Union Address, when he said, ''What should we do with this projected surplus? I have a simple four-word answer: Save Social Security first.''

That is, after all, what this debate is about: What should come first?

As I and other Democrats have said, and demonstrated by our votes, we support estate tax reform for middle-income Americans, small businesses, and family farmers. But as we debate what ''first things'' should come first, shouldn't we remember our commitments to Social Security and Medicare?

In the decade of 2011 to 2020, just as the costs of the bill before us today will begin to explode, the baby boom generation will begin to retire in numbers. Social Security's trustees project that, starting in 2015, the cost of Social Security benefits will exceed payroll tax revenues. Under the trustees' projections, this annual cash deficit will continue to grow. By 2037, the Social Security trust fund will have consumed all of its assets. Similarly, by 2025, the Medicare Hospital Insurance Trust Fund will have consumed all of its assets.

I almost hesitate to say this, but when I look at the young people in front of me who work so hard for us every day, they are the ones who will not get their Social Security if we are not responsible, if we do not make sure we put first things first.

According to the trustees, we can fix the Social Security program so that it will remain solvent for 75 years if we make changes now in either taxes or benefits equivalent to less than 2 percent of our payroll taxes. But if we wait until 2037, we will need to make changes equal to an increase in the payroll tax rate of 5.4 percentage points. We have a choice of small changes now or big changes later.

That is why it makes sense to see to our long-term obligations for Social Security and Medicare before we enact either tax cuts or yes, spending measures that would spend whatever that surplus might be. Before we enter into new obligations, we need to steward the people's resources to meet the commitments we already have.

I will tell you, when I think of Social Security, the generations that come after us, that is commitment No. 1.

Which is putting first things first: saving Social Security and Medicare or cutting estate taxes for the very rich?

As part of updating Medicare for the 21st century, we have to ensure that our elderly have access to lifesaving prescription drugs. Three out of five Medicare beneficiaries make do without dependable prescription drug coverage. We on this side of the aisle believe that it is a priority to create a voluntary Medicare prescription drug benefit that is accessible and affordable for all beneficiaries.

Which is putting first things first: helping provide needed medications for our elderly or cutting estate taxes for the very wealthy?

We on this side of the aisle believe that one of our Nation's most pressing unmet needs is the acute and growing demand for help with long-term care. I have worked on this issue more than any other issue in my 18 years in public office. Our Nation's population is aging: Today, 4 million Americans are over 85 years old. By 2030, more than twice as many—9 million Americans—will be. Already today, 54 million Americans—one in five—live with some kind of disability. One in ten copes with a severe disability. In four out of five cases, a family member serves as that disabled person's primary helper, and, believe me, serves under a heavy burden in doing so. If the majority allows us to offer amendments, I will join with others on this side of the aisle in an amendment that will take some of the money that the majority would use to cut taxes for the superwealthy and use it to help make tax benefits available to these hard-working and financially strapped helpers.

Again, which is putting first things first: helping people to provide long-term care for elderly and disabled family members or cutting estate taxes for the very wealthy?

It seems that more and more these days, we see legislation like that before us today that benefits the very wealthy. At the same time, Senators feel increasing pressure to raise larger and larger sums of money from wealthy contributors. Observers could be forgiven for linking the two phenomena. Observers could reasonably wonder whether the contact Senators increasingly have with wealthy contributors could perhaps lead Senators increasingly to continually believe that the problems of the very wealthy are the problems to which we must respond first.

The problem has only become worse with the large amounts of soft money being raised to get around the campaign finance laws. As the Supreme Court concluded in its decision this January in Nixon v. Shrink Missouri Government PAC: ''[T]here is little reason to doubt that sometimes large contributions will work actual corruption of our political system, and no reason to question the existence of a corresponding suspicion among voters.''

A number of us believe that it continues to be a matter of great urgency to stop this corrupting influence of soft money in our elections. We feel that in order to get our priorities right, we need to get our house in order. Although it was undeniably a good thing to reform disclosure of contributions by organizations that do business under section 527 of the tax code, as we just did, that is by no means enough. Those of us fighting for campaign finance reform will forego no opportunity to offer an amendment to ban corrupting soft money once and for all.

On that point, as we all know, only the tiniest fraction of the American people will be affected by this tax legislation before us today. But the American people also understand that those wealthy enough to be subject to estate taxes tend to have great political power.

Those wealthy interests are able to make unlimited political contributions, and they are represented in Washington by influential lobbyists that have pushed hard to get this bill to the floor.

The estate tax is one of those issues where political money seems to have an impact on the legislative outcome. That is why I want to quickly Call the Bankroll on some of the interests behind this bill, to give my colleagues and the public a sense of the huge amount of money at stake here. I talked about taxes, but now I am talking about political contributions.

Take for instance the National Federation of Independent Business. Repeal of the inheritance tax is one of the federation's top priorities, and the federation is considered one of the most powerful organizations in town.

They have the might of PAC and soft money contributions behind them.

NFIB's PAC has given more than $441,000 in PAC money through June 1 of this election cycle, according to the Center for Responsive Politics. That is on top of the incredible $1.2 million in PAC contributions NFIB doled out during the 1997–1998 election cycle.

NFIB has also given soft money during the first 18 months of the current election cycle—just over $30,000 so far.

Then there is the Food Marketing Institute, which represents supermarkets, and has also made a powerful push to bring this bill to the floor.

Behind that push was the weight of significant PAC and soft money contributions, which I am sure is not a surprise to anybody.

Through June 1st of this election cycle, the Food Marketing Institute has given more than $241,000 in PAC donations to candidates, after it made more than a half million in PAC donations during the previous cycle.

FMI is also an active soft money donor, with more than $156,000 in soft money to the parties since the beginning of this cycle through June 1st of this year.

On top of these wealthy associations, there are countless wealthy individuals who want to see the estate tax repealed. They are that tiny fraction of Americans who would benefit by the difference between the Republican approach and the more modest and appropriate Democratic approach.

These folks want an end to the estate tax, and they are also able to give unlimited soft money to the political parties to get their point across.

Then there is the most interesting player in the push to repeal the estate tax—the mystery donors.

That is right, we don't know who is funding one of the major efforts to end the so-called death tax.

We don't know because the group paying for it is one of those secretive 527 groups.

The group is called The Committee for New American Leadership, and was founded, I am told, by former House Speaker Newt Gingrich. The committee, identified in news reports as a 527 ''stealth PAC,'' has been very busy pushing for the repeal of the estate tax, but nobody knows who is footing the bill for those efforts.

As I stand here today, these mystery donors are having a lot to say about what gets debated in the Senate, and we have no way of really knowing who they are, or how much they gave. But thankfully, all of that may be changing.

Thanks to the passage of the 527 disclosure bill, which the President almost immediately signed into law, from here on in we will know a lot more about who is writing the check to the Committee for New American Leadership, and the donors to every other stealth PAC that hid behind a tax loophole to evade public scrutiny.

So, reformers won a victory with passage of the 527 disclosure bill, and we are just getting started. We are going to keep pushing until we address the other gaping loopholes in the campaign finance law that allow wealthy interests spend unlimited amounts of money to push for bills like this one, which serve the interests of the wealthy few at the expense of most Americans.

Mr. President, again, to return to the central question, I ask: Which is putting first things first: ensuring honest elections, or cutting estate taxes for the very wealthy?

The majority shows by proceeding to this bill that it wants to help out those who have benefitted most in the latest economic boom. But the week before last, the business group the Conference Board released a report that said:

> Working full-time and year-round is, for more and more Americans, not enough.

The report, called ''Does a Rising Tide Lift All Boats?'' finds that Americans holding full-time jobs in the 1990s were just as likely to fall into poverty as Americans working full-time in the 1980s, and more likely to fall into poverty than full-time workers were in the 1970s. As The Wall Street Journal reported, economists attribute the problem in part to the erosion of the value of the minimum wage, which was in today's dollars worth about $7 in 1969, compared with the current minimum wage of $5.15 an hour.

We on this side of the aisle believe that it is a priority to enact an increase in the income of working Americans making the minimum wage. The majority appears to believe that a tax cut for the very wealthy should be addressed first.

So which is putting first things first: enacting a raise for working people making the minimum wage, or cutting estate taxes for the very wealthy?

Even if we chose to confine ourselves strictly to cut taxes, should our highest priority for tax cuts be the very wealthiest 2 percent of the population? The majority shows by proceeding to this bill that it favors tax cuts for the super-wealthy before tax cuts for anyone else.

We on this side of the aisle believe that it is a priority to cut taxes for working families struggling to stay out of poverty—families who have some of the highest marginal tax rates in our tax system. The majority's bill would give tax cuts to fewer than 43,000 upper-income taxpayers a year. In contrast, the President's proposal to expand the Earned Income Tax Credit to reward work and family would provide tax relief for 7 million working families, providing up to $1,155 in additional tax relief a family.

Among other things, the President's EITC proposal would increase benefits for working families with three or more children. The poverty rate for children in these larger families remains a stunning 29 percent, more than double the poverty rate among children in smaller families. A decade ago, a bipartisan group of Wisconsin State legislators enacted a substantially larger State EITC for families with three or more children, and it has helped to lift thousands of Wisconsin families from poverty.

Which is putting first things first: helping the kids in 7 million working families keep out of poverty, or cutting estate taxes for the children who stand to inherit from the very wealthy?

This Senator believes that it is a priority to simplify taxes and free people from paying income taxes altogether. One way to do this would be to expand the standard deduction. That would reduce tax liability for millions of working Americans. If the majority ever gives us a chance to offer amendments, I intend to offer such an amendment on tax legislation this year. Right now, 7 in 10 taxpayers take the standard deduction instead of itemizing. Expanding the standard deduction would make it worthwhile for even more Americans to use that easier method and avoid the difficult and cumbersome itemization forms. As well, expanding the standard deduction would free millions of middle-income working Americans from having any income tax liability at all.

So again, which is putting first things first: freeing millions of middle-income Americans from the income tax, or cutting estate taxes for the very wealthy?

Simplifying taxes generally should be a priority. Some have proposed that modest investors in mutual funds should be exempted from filling out the complicated capital gains schedule. Some have suggested streamlining the complicated child credit. Some have proposed further simplifying the Nanny Tax by raising the threshold for filing. These modest steps would relieve millions of middle-income taxpayers from needlessly complex and time-consuming tax forms, but they would also cost money.

So which is putting first things first: simplifying income taxes for millions of middle-income taxpayers, or, again, cutting estate taxes for a few hundred of the very wealthy?

Senators on both sides of the aisle believe that we should repeal the telephone tax for residential users. Pretty much everyone pays the telephone tax. Mr. President, 94 percent of American households have telephone service. And remember, fewer than 2 percent, even under current law, pay the estate tax. If the majority allows us to offer amendments, I will join with others on this side of the aisle in an amendment that will take some of the money that the majority would use to cut taxes for the super-wealthy and use it to repeal the telephone tax for residential users.

Now, the majority also wants to eliminate the telephone tax for businesses, which is just a tax cut for people who own stock in those businesses—not the most progressive of tax cuts—but cutting taxes on residential telephone users is among the more progressive tax cuts that one could imagine this Congress passing. But the schedule betrays the majority's priorities.

Which is putting first things first: repealing a residential telephone tax that nearly everyone pays, or repealing estate taxes that only very wealthiest 2 percent pay?

Senators on both sides of the aisle believe that it is a priority to help working American families to save. The President's proposal last year to encourage retirement savings through what he called USA Accounts made some sense. Similarly, this year, Vice President GORE's new Retirement Savings Plus accounts—voluntary, tax-free personal savings accounts separate from Social Security but with a Government match—are also a pretty good idea. Both USA Accounts and Retirement Savings Plus would help millions of middle-income Americans to save and build resources for retirement.

So again, when you look at that issue, which is putting first thing first: helping working American families to save, or cutting estate taxes for the very wealthy?

As I said at the outset, this is really a welcome debate. Because the majority's desire to increase tax breaks for the very wealthy paints so stark a contrast to the many ways by which Senators on this side of the aisle really do want to help working Americans.

This is not an example of class warfare. To point out what is going on, that is not what this is at all. In fact, what is class warfare is to maintain taxes on the vast majority of working Americans while cutting taxes only for the very wealthy Americans.

I have taken some time on this occasion to contrast the majority's priorities with those of the American people because the majority leader has made all too clear that he does not intend to allow a fair and full debate of this estate tax bill. I have made this case on the motion to proceed rather than waiting for the bill itself because, if the majority leader follows what has become his regular practice, he will, in all likelihood, file cloture on the bill as soon as we get to it.

Mr. President, I have said this before at much greater length, but I will say it again—others have said it better—this is not how the Senate was meant to work. This is the place where the Government was intended to consider policies fully and fairly.

The majority leader's all-too-rapid resort to cloture deprives Senators from debating priorities such as those I have discussed today, and so many more. That is why I have taken time during this debate on the motion to proceed, which is not where we normally have this sort of debate, to warn, before the majority leader files his cloture motion, against the dangers of invoking cloture on the estate tax bill.

This is a major bill. If enacted, it would take more than half a trillion dollars, maybe three-quarters of a trillion dollars a decade that would otherwise have gone to paying down the debt and put it in the hands of the very few wealthiest members of society. It would be neither fitting nor appropriate to effect the transfer of more than half a trillion dollars without a full and fair debate.

And that is why we must debate this motion fully today. For if there is a remedy for the majority leader's abuse of the cloture process, it is a more rigorous use of the cloture process when it is abused.

New York's Governor Al Smith said in 1933, ''All the ills of democracy can be cured by more democracy.'' To paraphrase Governor Smith, the cure for not honoring the spirit of the Senate's rules is to honor the Senate's rules to the letter.

Thus, if the majority lseader wants all the benefits of the cloture rule, then he will have to bear all the costs of the cloture rule, as well. If the majority leader lays down a cloture motion, he should be prepared to have the full 30 hours of debate on the matter on which the Senate invokes cloture. If the Senate invokes cloture, it should expect to have to remain on the matter on which has invoked cloture.

Let's cut to the chase. The majority is moving to this complete repeal of the estate tax at least in part as a purely political gesture. The Administration has stated in so many words that the President would veto this bill. The majority apparently wants the veto and the issue more than it wants a good law that would eliminate estate taxes for the overwhelming majority of those who pay it.

Such a compromise is available if the majority is willing to take it. The majority need only adopt Senator CONRAD's and Senator MOYNIHAN's substitute, and we can have meaningful estate tax reform this year.

But if the majority does not do so, then we will debate this bill at length and vote on a series of amendments.

Mr. REID. Will the Senator yield for a question?

Mr. FEINGOLD. I will yield.

Mr. REID. I say this in the form of a question because I want to focus on one part of the Senator's speech. I know this is not an easy question to answer because it is coming from somebody I am going to try to compliment and applaud. Does the Senator recognize how appreciative the rest of the Senators are on the Democratic side for his leadership in exposing what is wrong with campaign finance on the Federal level in America? Is the Senator aware of how much we appreciate the work he has done?

Mr. FEINGOLD. I certainly know that the Senator from Nevada talks to me about this issue every chance he gets. I appreciate it. He has been one of the persons who has made it possible for us to raise this issue on the Senate floor. I appreciate the opportunity to occasionally come to the floor and point out, when we are on a particular bill, all the big soft money contributions that are behind some of these bills. It is part of the story that the public needs to know.

Mr. REID. How many people are in the State of Wisconsin?

Mr. FEINGOLD. Over 5 million.

Mr. REID. In the State of Nevada, we have about 2 million people. The last Senate election I was involved in, less than 2 years ago, in the small State of Nevada, in which at that time there weren't 2 million people, the two candidates, the Republican candidate and Democratic candidate, spent over $20 million. Is the Senator aware of that?

Mr. FEINGOLD. I believe the Senator has shared that with me before, but it is a horrifying number for any State, let alone a State the size of Nevada.

Mr. REID. That doesn't count independent expenditures. No one knows what they are.

Mr. FEINGOLD. We know about some of them, but there are whole categories, such as these 527s, we are not even sure where they came from or exactly how much is being spent.

Mr. REID. Again, I hope the Senator from Wisconsin understands the great contribution he has made to the Senate, to the State of Wisconsin, and the American people for not letting this issue die.

Mr. FEINGOLD. I thank the Senator from Nevada. That kind of encouragement is helpful because it is sometimes a lonely issue. What I have found most effective in talking to people, if you mention the issue of campaign finance reform in general, to use that term, or in the abstract, it is clear to people you are trying to do something that is important. But if you want to make it concrete for them, you have to show the connection between all that money and particular bills coming through here that really don't belong here. This is a great example, the estate tax. The idea that we give this huge tax break to a very few people when there are all these other priorities raises the question in people's minds: Why would elected officials do such a thing? I believe part of the answer is there is just too much money behind this bill.

Mr. REID. I want to ask two additional questions on the Senator's time. First of all, is the Senator aware that this matter now before the Senate has not had 1 minute of hearings in the Senate before the Finance Committee, the committee of jurisdiction?

Mr. FEINGOLD. I was not aware it was quite that bad. I knew it had been very little. It came straight through from the House, as I understand.

Mr. REID. I think in the same breath we mention the Senator from Wisconsin, it is fair to also talk about a real lone ranger, for lack of a better description, on the other side. That is the Senator from Arizona, JOHN MCCAIN, who has stood shoulder to shoulder with the Senator from Wisconsin. He has not had the support of his Republican colleagues as Senator FEINGOLD has had on the Democratic side. Does the Senator from Wisconsin agree that the Senator from Arizona has shown courage not only as a prisoner of war and as a fighter pilot but also his courage on this issue of campaign finance?

Mr. FEINGOLD. All of us who work on the issue with him consider him our commander, in effect. We, of course, are well aware not only of the fact that he worked so hard on this issue for years before his Presidential campaign, but he is also doing a tremendous job of channeling enthusiasm from his campaign into actually getting things done on campaign finance on the floor. That is how the 527s got through. Thanks to my colleagues from the other side of the aisle, about whom we often have to talk in less than positive terms on the campaign finance issue, almost every one of them supported us at least on that issue. We are hoping that will lead to a momentum to actually ban soft money and go beyond that. I thank the Senator from Nevada for his questions.

To conclude, we will vote on priorities. We will vote on which is putting first things first: paying down the debt to help Social Security and Medicare or cutting taxes for the super-wealthy.

We will afford the majority a number of opportunities to let us know how wealthy one has to be before even the majority considers one superwealthy. As I said earlier, I am looking forward to offering an amendment that would simply maintain the estate tax on estates of $20 million or more, and preserve those funds to pay down the debt to help Social Security and Medicare.

But if that amendment should not succeed, then I look forward to offering an amendment that would simply maintain the estate tax on estates of $100 million or more, and preserve those funds to pay down the debt to help Social Security and Medicare. If the majority does not consider estates of $20 million to be the super-wealthy, then perhaps they will agree that those worth $100 million are superwealthy.

If that amendment should not succeed, then I could have another that would maintain the estate tax on estates of a billion dollars or more, and preserve those funds to pay down the debt to help Social Security and Medicare. If the majority does not consider estates of $20 million to be the superwealthy, and does not consider estates of $100 million to be superwealthy, then perhaps they will agree that those worth a billion dollars deserve the title ''superwealthy.''

Ironically, some will then charge us on this side of the aisle with holding up the estate tax bill. But it is not we, but the majority who are thwarting the enactment of estate tax relief by clinging to their extreme repeal plan.

The choice for the majority is clear: The majority can persist in the political exercise of advancing the extreme bill that we are considering today. Or they can enact fiscally-responsible estate tax reform with overwhelming bipartisan majorities.

The opportunity is theirs to take, or to squander.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I ask unanimous consent that the order of speaking be that Senator SESSIONS be recognized for 15 minutes, Senator KYL for 15 minutes, and following that, Senator MURKOWSKI for 10 minutes. Then we would go to a Democrat at that time. I ask unanimous consent that be the order.

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

Mr. REID. As a matter of parliamentary procedure, I ask the Chair this: I direct this comment more to the staff through the Chair. Maybe they can find out the leader's intention. Are we going to keep working after 6:30, or are we going to defense? We have a number of speakers lined up. When we learn what is going to happen, we can better arrange the order of speakers.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

Mr. SESSIONS. Mr. President, I believe it is time for us to quit nibbling around the edges and to eliminate the estate tax on the American people. It is an abysmal tax. It is an unfair tax. It taxes people on money they have already made. They pay taxes on that money. Then, after that, they may invest and buy property. When they die, the tax man reaches in and grabs up to 55 percent of the value of that estate. That is an astounding fact. The Federal Government is taking 55 percent from people for this tax. A majority of the people who have an estate have to go through the estate tax computation. It is an unfair tax.

I believe we ought to reduce taxes across the board. I was a leader and fought hard for the $500-per-child tax credit for middle-income American families. I think that was one of the finest things we ever did. It provided $1,500 in extra money —without taxes—for a family of three. That is $100-plus a month they can spend on their children. I supported equality in making insurance premiums deductible that don't apply to small businesses. We fought for the capital gains tax reduction. People said that was a tax for the rich. When we reduced the capital gains tax, more people were willing to buy, sell, and trade properties, stocks, and other things, and they paid more taxes. Revenues to the Government went up.

We will talk about the marriage penalty. It is absolutely unjustifiable to raise taxes on a couple who are married by $1,400 a year—$100 a month for a man and woman who are out working. When they get married, they have to pay more in taxes than if they lived single. It pays a bonus, in effect, for people who get a divorce. That is not the kind of public policy we ought to have. I want us to remember that nearly 70 percent of the American people oppose this estate tax. They know it is unfair and it ought to be eliminated.

I want to share a few insights into this subject, other than discussing the matter in general. I have had the opportunity to meet with people from Alabama—environmental experts—who shared with me that with regard to landowners and timber owners, the estate tax is one of the single most damaging environmental pieces of legislation that exists. They tell me that routinely, people who inherit timber land and property who owe large amounts of taxes have to go out and prematurely clear-cut the timber on the property and sell it to pay the estate tax. When you are talking about a 55-percent tax, what are you going to do if you are the widow or child of a person who worked and saved all his life and did everything right? You have to sell off the property or cut the timber—every stick of it—to pay the tax man in Washington. That is not good for families and for the environment.

The estate tax hurts farmers. Farmers are particularly property wealthy, but cash poor. They take what they have and plow it back into their land and equipment. When they die, they may have a very large tax burden. Perhaps they are making only a small amount on each acre they farm, but they are making an income from it. But maybe the problem is the land now is next to an interstate and the land now would be good for a motel and they want to value it at $100,000 an acre. All of a sudden, they are multimillionaires, and the family is hit for $1 million or $2 million or $5 million in taxes.

The farmers in this country are universally opposed to this tax. Every farm organization in my State tells me every time I meet with them, ''Eliminate this estate tax, JEFF, whatever you do. That is rotten and we need to get rid of it.'' That is driving the issue before us today.

This tax savages small business. Every generation of farmers and small businesspeople have a debt. That business or family must absorb the cost of paying the estate tax. No such tax falls on the large, mega corporations, the giant international, multinational corporations. They never die. They never pay this tax. But every generation of small business has to face it. Every generation of farmers has to face it. Is it any wonder why large paper companies can buy up thousands of acres of land that have to be sold off by farming families who can't afford to pay the taxes on it, and then they never pay that tax? This is not a good tax for this country. It is wrong for this country. It punishes middle America, those who have done the right things by saving and accumulating some wealth.

This kills off competition. I know the story of an autoparts company. The family had built up an autoparts dealership. They had maybe as many as 27 stores; they were all about the State. You could see those companies there and they were growing. All of a sudden, the father who owned the company died, and they were faced with a huge tax burden. What could they do? They could borrow millions of dollars to pay the tax man, they could sell off a large part of their stores but lose the advantages of scale that they were gaining by growing and getting competitive with bigger companies, or they could sell out. The company family had to make a decision.

They sold the company to a major national autoparts company, and everybody would recognize their name. That large company would never be faced with that kind of capital crisis as a result of a death. But the smaller companies are. Maybe, just maybe, that 27-store autoparts company would have continued to be able to grow. Maybe, just maybe, they would not have had to shut down the distribution center in the small town in Alabama, as they did when it sold out to the big corporation. Maybe they could have grown and become a competitor to the major parts company distributing in this country and provided more competition, driving down the price of autoparts for the average American citizen who is out to buy what he needs to fix his automobile, truck, or farm equipment.

I think this thing has to be viewed in the overall context of how it impacts economic growth and competition in this country. I believe we need to make sure that we have not ingrained in our law a tax that reaches down, and when you have a big bush, a big growth of a plant that is growing big, maybe it is a Wal-Mart or Kmart or maybe a Car Quest, and it is getting bigger and bigger, and this little plant grows up and starts competing with it and gets a little sunlight and starts getting bigger, all of a sudden, somebody comes out and cuts the top off of it. That is what the estate tax does; it cuts the top off of small businesses. It savages them and makes them less competitive against the international, multinational, mega corporations. It is an anticompetitive act.

I believe we ought to do something about it. It brings in less than 2 percent of the income to this country. I reject this demagogic attack that because somebody made $20 million, they are somehow evil and rich and ought to be made to pay a huge amount of tax on that money. Well, it was said the Republicans are for this bill. It is a Republican idea and that is all bad. But in the House, even though those Democratic Representatives were under the most intense pressure from their leadership to hang to the party line, 65 of them rejected the pressure and stood firm and voted to completely eliminate this tax.

I think that shows it is not limited to a Republican idea. It is a broad bipartisan idea that has the overwhelming support of the American people. We only do it on estates of $20 million or more. I want to talk about that directly.

They say: Well, for an estate of $75 million, we ought to have no sympathy for them. We ought not to feel any concern that the tax man takes 55 percent of it. What is 55 percent of $75 million? It is $40 million. Who says it is fair to take $40 million of an estate that somebody has worked all of their life to build up with after-tax money, and you are just going to rip it out and send it to Washington? I don't believe that is just.

Again, those are the kinds of companies and businesses that are getting competitive. They have the ability to compete in the marketplace. If we savage them, we are knocking down small industries and businesses that might be competitive against the established order.

I think it is healthy for America to have growing companies worth $100 million or $150 million. I see no need to attack them when we don't attack Wal-Mart, Kmart, or GM, and Nestle's, and those kinds of companies.

Now we hear this talk about Social Security. Oh, yes, if we vote to eliminate the estate tax, we are going to oppose Social Security.

Let me tell you that we are going to protect Social Security. We are not going to allow Social Security to fail. We support it on this side of the aisle. We fought aggressively for a lockbox to lock up any Social Security surplus and guarantee it would not be spent by the big spenders that are here. The Democrats across the aisle opposed it and would not allow us to pass that bill. We set it aside anyway. But we don't have the protection to do it year after year as we would if we had passed a lockbox.

Why wouldn't they support that, if they like Social Security so much? The reason is they want more money to spend, spend, spend. That is the mentality—spend, spend, spend; ask for more votes for the people to whom you give money, and keep them in power year after year. By the way, we know more in Washington how to spend your money than you do.

Make no mistake, this is a classic case of taxes and who has the power. You give more money to the Federal Government and have less for yourself. Then the Government is empowered and you are diminished.

We ought to ask ourselves: How is it that the percentage of the total gross domestic product that goes to the Federal Government since President Clinton took over in 1992 has gone from 17.9 percent to 20.7 percent, higher than at the peak of World War II?

To say we can't conduct our business, take care of the needs of this country, and keep that tax rate from rising every year and the rising percentage of money going every year to Washington is a mistake. It is a fundamental choice that we as Americans have to make. Will we continue to allow the erosion of the independence, freedom, and autonomy of individual American citizens to be eroded in favor of a bloated and growing political Washington establishment?

Those are the choices we are dealing with. We ought to eliminate bad taxes. This estate tax is one of the worst. It costs an incredible amount for the Federal Government to collect. It costs an incredible amount for the families who have to go through the estate tax process to have to try to figure out ways to create trusts and so forth to minimize it. It is extremely painful to families. It brings in less than 2 percent of our national budget. Let's get rid of the tax. Let's not keep it anymore. Let us reject this cause that we are going to eliminate it for some but we are going to keep it on these other groups that make $20 million because they are evil, and we can take 55 percent of their money; that is all right. I don't believe that is a legitimate principle on which to operate.

I believe the tax rate ought to be fair. We have increased our Federal maximum tax rate on the wealthy now to 39 percent of what they make. That is a high amount—39 percent of everything somebody makes at the margin. Why do we now need to reach into the grave and take out what they have accumulated after paying those taxes?

I think we are going to eliminate this tax sooner or later. The American people support it overwhelmingly. The farmers and the small business groups support the elimination. So do the American people.

I would like to express my appreciation to Senator JON KYL for his leadership in consistently, effectively, and brilliantly promoting this legislation from the beginning.

We are at a point where we are going to bring it up for a vote. We had to have cloture to get it here. I appreciate that the majority leader has favored that. I look forward to hearing the Senator from Arizona's remarks at this time.

The PRESIDING OFFICER (Mr. SMITH of Oregon). The Senator from Arizona is recognized.

Mr. KYL. Thank you, Mr. President. I thank the Senator from Alabama for his kind remarks.

Mr. President, I heard some astonishing claims this morning and somewhat this afternoon. I would like to try to respond to some of the things that have been said by some of our friends on the other side of the aisle.

Let me, first of all, note for those who might be watching this that the primary object of those on the minority side is to stop us from having a vote on the repeal of the death tax. That is the last thing in the world they want. That is why they are trying to confuse the issue by suggesting that they want to offer all kinds of amendments that have nothing whatsoever to do with the death tax in order to prevent us from ever getting to a vote on the death tax.

When we keep talking about cloture, I will explain to those who aren't familiar with Senate terms that it is required because the distinguished minority leader will not reach an agreement with the majority leader on the terms under which we could bring this up for a vote. So we have to get 60 Senators who will agree to finally bring this matter to a close so we can actually have a vote. That will be a very important vote. Whether or not we get 60 votes, we don't know. But I am counting on a great deal of bipartisan support because we have bipartisan support in the House of Representatives which voted overwhelmingly for H.R. 8, which is the bill before us. There are nine Democratic sponsors of the Kyl-Kerrey bill, which is part of H.R. 8. That is the bill we introduced to repeal the death tax which was then incorporated in the House bill.

Just a quick reminder that the House bill and what we are debating here today will reduce the rates over a 10-year period and in the tenth year repeal the estate tax altogether by, in effect, replacing it with a capital gains tax. That is one of the points I will get to later. We are not forgoing all of this revenue, as people on the other side of the aisle have argued.

Actually, the taxes that will be collected when property is eventually sold and taxed under capital gains is just about the same amount that would be collected under the death tax. Anyway, chances are there won't be much revenue lost, even if that is a concern in this era of many hundred-billion-dollar surpluses. I want to start with those particular comments.

As I said, I was astonished by some of the claims made here. Let me mention two:

One by the Senator from North Dakota, Mr. DORGAN, who in effect said that the estate tax should be imposed on successful people as the price for the privilege of living in America and making a lot of money.

That turns the American dream on its head. The American dream, as I understand it, and as folks with whom I have talked in Arizona understand, is being able to work hard, to save, to invest, and to be able to create a situation where the next generation can have a little better opportunity than you had. That is the American dream. We all live for that, for our kids and our grandkids. It is exactly the opposite as expressed by some on the other side—that if you are successful, by golly, the Government is going to come in and take it all from you. No, excuse me—take half it from you when you die. First, they are not taking it from you. They are taking from your employees, from your kids, and from your grandkids. That is not fair. That is not the American dream.

The Senator from California, Mrs. BOXER, employing some of the new

Gore rhetoric, said it all boils down to a question of, Whose side are you on? Well, I will accept that challenge. Whose side are we on here?

Mr. President, I have a list of about 100 different organizations that strongly favor the repeal of the estate tax. I ask unanimous consent that this list be printed in the RECORD.

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

FAMILY BUSINESS ESTATE TAX COALITION MEMBERS

Air Conditioning Contractors of America.
Akin, Gump, Strauss, Hauer & Feld, LLP.
American Alliance of Family Business.
American Bakers Association.
American Consulting Engineers Council.
American Dental Association.
American Family Business Institute.
American Farm Bureau Federation.
American Forest & Paper Association.
American Horse Council.
American Hotel and Motel Association.
American Institute of Certified Public Accountants.
American International Automobile Dealers Association.
American Sheep Industry Association.
American Soybean Association.
American Supply Association and American Warehouse Association.
American Trucking Association.
American Vintners Association.
American Wholesale Marketers Association.
The Association For Manufacturing Technology.
Amway Corporation.
Arnold & Porter.
Associated Builders and Contractors.
Associated Equipment Distributors.
Associated Equipment Distributors.
Associated Specialty Contractors.
Boland & Madigan, Inc.
Building Service Contractors Association International.
Chwat and Company, Inc.
Clark & Weinstock.
Collier, Shannon, Rill & Scott.
Communicating for Agriculture.
Davis & Harman.
Duffy Wall & Associates.
Families Against Confiscatory Estate & Inheritance Taxes.
Farm Credit Council.
Florists' Transworld Delivery Association.
Food Distributors International.
Food Marketing Institute.
Forest Industries Council on Taxation.
Guest & Associates, LLC.
Hallmark Cards, Inc.
Hogan & Hartsen.
12AAK Walton League.
Wildlife Society.
Quail Unlimited.
Wildlife Management Institute.
International Association of Fish & Wildlife Agencies.
Hooper, Hooper, Owen & Gould.
Independent Bakers Association.
Independent Bankers Association of America.
Independent Forest Product Association.
Independent Insurance Agents of America.
Independent Petroleum Association of America.
Institute of Certified Financial Planners.
International Council of Shopping Centers.
International Warehouse Logistics Association.
Lake States Lumber Association.
Land Trust Alliance.
Marine Retailers Association of America.
McKevitt & Schneier.
Miller & Chevalier.
Mullenholtz & Brimsek.
National Association of Plumbing-Heating-Cooling Contractors.
National Association of Conveniences Stores.
National Association of Realtors.
National Association of Wheat Growers.
National Association of Manufacturers.
National Association of Wheat Growers.
National Association of Music Merchants.
National Association of Wholesaler-Distributors.
National Association of State Departments of Agriculture.
National Association of Temporary and Staffing Services.
National Association of the Remodeling Industry.
National Association of Home Builders of the United States.
National Association of Beverage Retailers.
National Automatic Merchandising Association.
National Automobile Dealers Association.
National Beer Wholesalers Association.
National Cattlemen's Beef Association.
National Corn Growers Association.
National Cotton Council of America.
National Council of Farm Cooperatives.
National Electrical Contractors Association.
National Electrical Contractors Association Incorporated.
National Farmers Union.
National Federation of Independent Business.
National Funeral of Independent Business.
National Funeral Directors Association.
National Grange.
National Grocers Association.
National Hardwood Lumber Association.
National Licensed Beverage Association.
National Marine Manufacturers Association.
National Milk Producers Federation.
National Newspaper Association.
National Pork Producers Council.
National Precast Concrete Association.
National Restaurant Association.
National Retail Federation.
National Roofing Contractors Association.
National Rural Electric Cooperative Association.
National Small Business United.
National Telephone Cooperative Association.
National Tooling & Machining Association.
Neece, Cator, McGahey & Associates.
Newsletter Publishers Association.
Newspaper Association of America.
North American Equipment Dealers Association.
Northwest Woodland Owners Council.
O'Brien Calio.
Patton Boggs, LLP.
Petroleum Marketers Association of America.
Printing Industries of America.
Rae Evans & Associates.
Reed, Smith, Shaw & McClay.
Safeguard America's Family Enterprises.
Sheet Metal and Air Conditioning Contractor's National Association.
Small Business Legislative Council.
Southeastern Lumber Manufacturers Association.
Steptoe and Johnson.
Sullivan & Cromwell.
Tax Foundation, Inc.
Texas and Southwestern Cattle Raisers Association.
The Associated General Contractors of America.
The Employee Stock Ownership Plan Association.
The Heritage Foundation.
The Jefferson Group, Inc.
The Society of American Florists.
Tire Association of North America.
U.S. Apple Association.
U.S. Business & Industrial Council.
U.S. Chamber of Commerce.
U.S. Telephone Association.
United Fresh Fruits and Vegetable Association.
United States Business and Industrial Council.
Washington Council, P.C.
Wine and Spirits Wholesalers.
Wine and Spirits Wholesalers of America.
Wine Institute.
Harry C. Alford, Jr., President & CEO, National Black Chamber of Commerce.
Peter Homer, President & CEO, National Indian Business Association.
Ricardo C. Byrd, Executive Director, National Association of Neighborhoods.
John White, President, Texas Conference of Black Mayors.
U.S. Hispanic Chamber of Commerce.

Mr. KYL. I will not read the entire list. It includes not only organizations that we are familiar with such as the American Farmer Bureau Federation, the National Federation of Independent Business, the National Newspapers Association, the Small Business Legislative Council, and groups similar to that. It also includes groups such as the National Black Chamber of Commerce, the National Indian Business Association, the National Association of Neighborhoods, U.S. Hispanic Chamber of Commerce, the Texas Conference of Black Mayors. Also, environmental organizations such as the Wildlife Society, the Isaak Walton League, Wildlife Management Institute, International Association of Fish and Wildlife Agencies, and more.

Whose side are you on? We are on the side of the American people who believe, by percentages of 70 to 80 percent, the death tax ought to be repealed. That is whose side we are on. If we could ask the American people, 70 percent to 80 percent of whom believe this ought to be repealed, how do they vote, they vote to repeal it. That is whose side we are on.

The second point was, we should soak the rich; after all, they can afford it. There was a suggestion by Senator FEINGOLD a moment ago that, after all, this property never gets taxed unless we can tax it at the time of death. That is not what this bill says. We replace the death tax with the capital gains tax. Death is taken out of the equation. There is no tax when someone dies. But when the heirs decide to sell the property, if they ever do, they pay a capital gains tax, as the original owner would. They pay it on the basis of the original owner's cost in that.

This is why, according to the President's own budget, the Analytical Perspective of the Budget of the United

States, for this next fiscal year, notes that the step-up basis of capital gains on at death—the current law—in effect costs the Federal Government almost $153 billion over a 5-year period. That is about the tax collections from the inheritance tax.

While I am not suggesting this is going to be a complete wash, I am suggesting there is not going to be all that much revenue lost to the Treasury, if you are concerned about that and with multihundreds of billions of dollars of surplus. I am not concerned about revenue to the Treasury. If that is your concern, be not concerned. According to the President's own budget, the step-up in basis loses the Federal Government about $153 billion. If you calculate the amount of the estate tax that will be collected over 5 years, it is not a great deal more than that.

What is this business of step-up in basis? Senator FEINGOLD said this property is never taxed and that is why we have to have a death tax. It is taxed. First, your income is taxed. You are then going to buy things with it. You buy stock; you will invest in other kinds of investment. Of course, you spend a great deal of it. Whatever you spend, you are spending with after-tax dollars. It has already been taxed. However, if you want to tax it again, the fair way to tax it again is not at death, over which the decedent has no control, but rather as a capital gain by the individual or people who end up selling the asset, if and when they sell. That is an economic decision taking tax consequences into account. That is what we do here.

I am afraid some on the other side have not read the bill. What it does is, in effect, replace the estate tax with a capital gains tax. But a 20-percent capital gains rate is a whole lot better than a 55-percent death tax rate. The voluntary decision to sell the property and accept that tax burden is a whole lot more fair than having to pay the tax at death. This is not property that is not being taxed and, in fact, it is taxed as a result of the way we have structured this legislation.

Let me make another point about soaking the rich. It is simply not the case that it is the wealthiest estates that are paying most of the estate tax. I ask unanimous consent that an op-ed piece by Bruce Bartlett, appearing in the Washington Times, be printed in the RECORD.

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

[From the Washington Times, June 19, 2000]

THE REAL RAP ON DEATH AND TAXES

(By Bruce Bartlett)

On June 9, the U.S. House of Representatives voted to abolish the estate and gift tax in the year 2010. Predictably, liberals denounced the action in the strongest possible terms. Bill Clinton called it "costly, irresponsible and regressive." The New York Times said, "Seldom have so many voted for a gargantuan tax cut for so few." Robert McIntyre of the far-left Citizens for Tax Justice told CBS News that supporters of repeal have done nothing but lie about their plan, which he views as nothing but a giveaway to the ultrawealthy.

The truth is that the burden of the estate tax falls primarily on modest estates, not those of the Bill Gates and Warren Buffets of the world. The latest data from the Internal Revenue Service tell the story. In 1997, more than 50 percent of all estate and gift taxes were collected from estates under $5 million. Only 20 percent came from the very wealthy, those with estates of more than $20 million.

Furthermore, the effective tax rate (net tax as a share of gross estate) is significantly higher for estates between $5 million and $20 million than on those of more than $20 million. An estate between $2.5 million and $5 million actually pays a higher rate than that paid by estates of more than $20 million—15 percent for the former and 11.8 percent for the latter.

How can this be the case when estate tax rates are steeply progressive, taxing estates of more than $3 million at a 55 percent rate? The answer is that estate planning can eliminate the tax if someone wants to spend sufficient time and money setting up trusts and organizing one's affairs for that purpose. Those with great wealth are far more likely to engage in estate planning than a farmer, small businessman or someone with a modest stock portfolio. Hence, the heaviest burden of the estate tax falls not on the very wealthy, but the slightly well-to-do.

The government gets more than two-thirds of all estate tax revenue from estates under $10 million. The idea that taxing the stuffing out of such estates does anything to equalize the distribution of wealth in America is ludicrous. All it does is prevent those with modest assets from becoming wealthy. Academic research has shown that estate taxes squeeze vital liquidity out of small businesses, often forcing them to sell out to larger competitors. Thus the estate tax makes it more difficult for small firms to grow and become large.

Of course, the same people who support high estate taxes also support aggressive use of the antitrust laws to break up big businesses like Microsoft because they lack competition. Yet the estate tax destroys many potential competitors in their cribs, before they are strong enough to challenge entrenched corporate elites.

One could, perhaps, make a case for a heavy estate tax if there were evidence a large share of the nation's wealthiest families got that way through inheritances. But this, in fact, is not the case in America and never has been. A 1961 study by the Brookings Institution found that only 6 percent of the wealthy acquired most of their assets through inheritance. Sixty-two percent reported no inheritances whatsoever.

A 1995 study by the Rand Corp. got similar results. It found that among the top 5 percent of households, ranked by wealth, inheritances accounted for just 8 percent of assets. A 1998 study by U.S. Trust Corp. found that among the wealthiest 1 percent of Americans, inheritances were a significant source of wealth for just 10 percent of them.

The truth is that most of the wealthy in America—even the billionaires—made it themselves. They weren't born with silver spoons in their mouths, living off the industry of their parents or grandparents. Most of the very wealthy got that way because they started businesses and took enormous risks that paid off. According to the latest Forbes 400 list of America's wealthiest people, 251 were self-made.

And among the modestly wealthy, with fortunes in the low seven digits, many got that way simply because they saved and invested for retirement the way all financial advisers say people should. The T. Rowe Price website, for example, advises that people need $20 in saving for every $1 they will need in retirement over and above Social Security. This means that to have $50,000 per year in retirement income a couple will need $1 million in assets.

It simply defies logic to tell people they need to save for retirement and then punish them for doing so by threatening to confiscate their estates after death. And it is absurd to tell such people they are the unworthy rich, who merely won life's lottery, when every penny they have came from their own hard work and investment. Yet that is what those fighting estate tax repeal are doing.

If it were only the very wealthy supporting estate tax repeal, there is no way estate tax repeal would have garnered 279 votes, including 65 Democrats. It is precisely because the estate tax is more of a tax on the middle class than the left believes it to be that the repeal effort has gotten so far. It is not Bill Gates and Warren Buffet out there pushing for repeal, but ordinary Americans who just don't want the Internal Revenue Service to be their estate's primary beneficiary.

Mr. KYL. I will read from part of this piece. He is a senior fellow with the National Center for Policy Analysis.

The latest data from the Internal Revenue Service tells the story. In 1997, more than 50 percent of all estate and gift taxes were collected from estates under $5 million. Only 20 percent came from the very wealthy—those with estates more than $20 million.

He goes on:

An estate between $2.5 million and $5 million actually pays a higher rate than that paid by estates of more than $20 million—15 percent for the former and only 11.8 for the later.

How can this be, he asks, when estate tax rates are steeply progressive, taxing estates of more than $3 million at a 55-percent rate? The answer is, that estate planning can eliminate the tax if someone wants to spend enough money and enough time in setting up trusts and organizing one's affairs for that purpose.

Those with more wealth obviously take advantage of that, whereas the small farmer, the small businessman or someone with a modest stock portfolio is not going to do it, and, in fact, doesn't, according to the statistics. The Government gets more than two-thirds of all estate tax revenue from the estates under $10 million. The idea that taxing the stuffing out of such estates does anything to equalize the distribution of wealth in America, he says, is ludicrous. All it does is prevent those with modest assets from becoming wealthy. Academic research has shown that estate taxes squeeze vital liquidity out of small businesses, often forcing them to sell out to larger competitors.

I told the story earlier in this debate about a family in Arizona in which that is precisely what happened.

Thus, he concludes, the estate tax makes it more difficult for small firms to grow and become large.

He makes another point:

One could, perhaps, make a case for a heavy estate tax if there were evidence that a large share of the nation's wealthiest families got that way through inheritances. But this, in fact, is not the case in America and never has been. A 1961 study by the Brookings Institution found that only 6 percent of the wealthy acquired most of their assets through inheritance. Sixty-two percent reported no inheritance whatsoever.

A 1995 study by the Rand Corp. got similar results. They found among the top 5 percent of households, ranked by wealth, inheritance accounted for just 8 percent of assets. A 1998 study by U.S. Trust Corp. found among the wealthiest 1 percent of Americans' inheritances were a significant source of wealth for just 10 percent of them.

He concludes his piece with this:

It simply defies logic to tell people they need to save for retirement and then punish them for doing so by threatening to confiscate their estates after death. It is absurd to tell such people that they are the unworthy rich who merely won life's lottery, when every penny they have has come from their own hard work and investment. Yet that is what those fighting estate tax repeal are doing.

It is precisely because the estate tax is more of a tax on the middle-class that the left believes it to be that the repeal effort has gotten so far.

It seems to me, that the argument we have to keep this because it is important to soak the rich flies in the face of the studies I have cited. It is not the rich, in fact, who are getting soaked.

There has also been a suggestion, and Senator DORGAN made the point, there are all kinds of ideas for how to spend the money collected by this tax. I am sure those who like to tax and spend, who like to redistribute wealth, who believe in the liberal class warfare rhetoric, will find lots of ways to spend money. As I pointed out, we already have a huge surplus. This doesn't even make a dent in it.

Their argument is, therefore, we ought to be voting on other issues rather than voting on this. One of them was we should vote on the Patients' Bill of Rights. We already voted on the Patients' Bill of Rights. The other side lost. They don't like to accept the fact they lost, but it is called accept majority rule. That is what democracy is all about.

They also want to vote on drug benefits. We are going to have votes on drug benefits.

Everybody in America understands that you do things in order. The House passed the estate tax repeal. It is now before the Senate. Let's get it done and then we can take up that other legislation the other side wants to take up. It will be taken up. Let's do this now.

What is the reason not to? It all boils down to politics. That is the unfortunate proposition.

There is another point I find very interesting.

The PRESIDING OFFICER. The Senator has 2 minutes remaining.

Mr. KYL. Mr. President, I will make this point briefly. One of the alternatives suggested by the other side is to increase the amount of the exemption. The problem with that is there has never been a way to define who qualifies for the exemption in a simple enough way for it to be effective. In fact, we have a lot of tax experts who point out that few people are able to take advantage of the exemption today because it is just too difficult with which to comply.

In fact, the American Bar Association condemned it because it, in effect, created too much malpractice risk for lawyers who could not figure out how to make it work for their clients. It is considered the most dangerous section of the tax law because of the risk of malpractice claims.

I point out that currently there are 149 tax cases that have been decided and reported involving issues relating to section 2032A. The IRS has challenged the validity of section 2032A in estate planning, and the IRS has won approximately two-thirds of those cases.

Now section 2057, the successor, is the most dangerous and, if changed as suggested here, is going to be even worse, but it will, of course, create billions of dollars in legal and accounting fees. That is not what we should be all about, Mr. President. We should be about saving money for those who would no longer have to spend all of these millions of dollars to plan against the possibility of the estate tax. That is a huge amount of money that could be saved, about as much as is paid in estate taxes, by the way, and we can get back to a situation which is fair; namely, there will be a tax, but it will be a tax when the property is sold, not when the death occurs.

That is the basic fairness of this proposition. That is why I urge my colleagues to vote for cloture so we can vote for H.R. 8 and repeal this unfair death tax.

The PRESIDING OFFICER. Under the previous order, the Senator from Alaska is recognized for 10 minutes.

Mr. MURKOWSKI. Mr. President, I compliment my friend from Arizona for his forthright address on this very important subject that certainly needs to be resolved by this body.

As we continue the debate on repealing the death tax, there is a fundamental question to which we all must respond: Should the Federal Government have the right to confiscate as much as 60 percent of the assets that an individual or family business has built over a lifetime?

That is what this debate is all about, not the class warfare arguments we have heard from the other side, to a degree.

In my view, whether the estate tax is 60 percent or 40 percent or 20 percent, the estate tax is morally indefensible. It causes businesses that have been developed over a lifetime of hard work and sacrifice to be broken up just so Uncle Sam can take what some think is the Government's rightful share of that business.

I ask another question: Why do we have an estate tax? It may be interesting to go into the background. The reason is quite simple. Up until 1913, the Federal Government was primarily financed by tariffs. Estate taxes were periodically imposed to primarily finance wars or the threat of a war. For example, to finance the Spanish-American War, the Federal Government imposed a temporary estate tax in 1898. It was repealed in 1902. With the advent of World War I and the drop in tariff revenue, Congress adopted an estate tax with rates ranging from 1 percent to 10 percent.

What must be recognized about the estate taxes adopted in the 19th and early 20th centuries is the simple fact that there were no Federal income taxes to finance the Federal Government at that time. So the Government looked at estate taxes. As a result, all of the wealth that accumulated in estates had never before been taxed.

By contrast, when an individual dies today, his or her estate consists of assets that have been built with aftertax money. The elderly woman who dies with several hundred thousand dollars worth of Treasury notes in her estate has paid Federal income taxes every single year on those notes. The businesses that have been built up over a lifetime have paid income taxes and, in many cases, have paid corporate taxes to the Federal Government. Why, after accumulating wealth and having paid income taxes on that wealth, does the Federal Government have the right to confiscate that wealth? I do not think it has that right.

While I believe this is a moral question, I also look at the realities of estate planning and conclude that when confronted with an unfair and confiscatory tax system, Americans overwhelmingly reject the idea that the Government has such a right.

With proper estate planning, it is clear that many Americans can structure their affairs in such a way that they can entirely avoid paying any estate taxes. In fact, of the estates valued at more than $600,000, more than half, or 55 percent, paid not a single dollar in estate taxes. Of the richest Americans, those with estates valued over $20 million, nearly one-third paid no estate tax.

It seems to this Senator that the estate tax has become a bonanza for estate planners and tax accountants and an unfair and onerous burden to the small businesses and farmers of America who do not have the resources nor the time to take advantage of sophisticated estate planning schemes. As a result, more than 60 percent of the burden of the estate tax falls on estates valued at $5 million or less.

As my colleagues know, the primary asset in many of these smaller estates is the family business, whether a small retail or wholesale operation or a family farm. When it comes time to pay the estate tax, many of these family businesses are forced to liquidate a portion of the business or even, in some cases, the businesses themselves; or sell the farm to basically pay the taxes. That is unconscionable especially when it has taken decades to build a business.

The ability to pass on the assets that have been built up over a generation to another generation is made unrealistic by the tax burden associated with the estate tax and, in the case of those who have not been fortunate enough to do estate planning, many of these people feel they have been unjustly penalized by their Government, and I agree with them. When it comes time to pay the estate tax, many of these family businesses, as I have indicated, are forced to liquidate.

The other option for many of these businesses is to saddle a business with a large debt to pay the tax. This only heightens the cash-flow problems that many small businesses confront as a matter of everyday activity.

Of course, when sophisticated estate planning is available, many of these small business estate problems would undoubtedly go away, but then we as policymakers should ask ourselves: What is the sense in constructing a tax that primarily produces a livelihood to those who can advise others on how to avoid the tax?

I will repeat that because I think it bears a little reflection. We as policymakers really must ask ourselves: What is the sense in constructing a tax that primarily provides a livelihood to those who can advise others on how to avoid the tax? It is a bit ironic.

The time for the death tax has passed. I hope we will not see a filibuster of this measure that will help maintain the growth and development of our dynamic economy and protect the small businesses that are the backbone of our Nation.

Seeing no other Senator seeking recognition, 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. DURBIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DURBIN. Mr. President, I understand under the previous agreement that I have up to 1 hour in debate at this point?

The PRESIDING OFFICER. The Senator is correct.

Mr. DURBIN. Mr. President, for those who are following the Senate proceedings, they are probably aware of the fact that we are involved in something called a motion to proceed, which is basically an introduction or a leadup to a debate on an issue.

We are proceeding to an issue on the question of the estate tax. The estate tax has been around, I think, since President Theodore Roosevelt in the last century. It is a source of revenue for the Federal Government that is imposed on the estates of some people after they pass away.

It is the position of the Republican majority that when you come to reforming the Tax Code of America, the first and highest priority is to deal with the estate tax. The basis for that statement on my part is the fact that it is the first matter of any consequence in terms of its cost that is being brought to the floor of the Senate by the Republican leadership.

So they believe, looking at the Tax Code—that affects literally every American, every individual, every family, every business—and searching out an inequity in it, that the estate tax is the source of an inequity, an unfairness, and it should be the first thing that we address if we are going to reform the Tax Code.

That is an interesting observation because when you consider how many Americans are affected by the estate tax, it turns out that they are literally very few in number.

In 1997, the estates of fewer than 43,000 people in America had to pay any Federal estate tax. That is 43,000 people out of 2.3 million who passed away in that year. So less than 2 percent—1.9 percent—of the estates of those passing away in the year 1997 had any obligation to pay the Federal estate tax—43,000 people.

What the Republicans have suggested as a way to eliminate this estate tax is to take money out of our anticipated surplus in the budget to make sure that those 43,000 in the future will not have to pay any estate tax.

What does this cost us out of the surplus? In the first 10 years or so, the estimates are somewhere in the $100–$150 billion range. But in the next 10-year period of time, it grows dramatically, and the cost of this tax relief for literally 1.9 percent of the people who die in a given year is some $750 billion.

Mr. LOTT. Mr. President, will the Senator yield?

Mr. DURBIN. I am happy to yield to the majority leader.

Mr. LOTT. I apologize for the interruption, but I was going to make an inquiry about the time schedule. I heard the Senator indicate he had 1 hour under an agreement. Are there other time agreements that have been entered into on each side?

Under the rule, you can get up to an hour. So we never got a time limitation?

Then, also, I believe earlier we had indicated we would go to the Department of Defense authorization bill tonight between 6:30 but not later than 7 o'clock. Has there been any agreement with regard to that?

The PRESIDING OFFICER. The Chair is not aware of one.

Mr. LOTT. I thank the Senator for yielding so that I could get some feel for the time. I will discuss it with the leadership on the other side. I still hope that while we have had debate on both sides today, for the most part on the death tax issue, we would still be able to keep our verbal commitment to Senator WARNER and Senator LEVIN that not later than 7 o'clock tonight we will go to the DOD authorization bill and see if we can make some progress on that.

Again, I appreciate the Senator for allowing me to interrupt him to get a clarification on that. I thank the Senator.

Mr. DURBIN. Mr. President, I was happy to yield to the majority leader to clarify the procedure.

Back to the point I was making. We are dealing with an estate tax that affects very few Americans—people in higher income categories. The decision has been made by the Republican leadership in the House of Representatives and the Senate that if we are going to change the Tax Code as it affects any American, any individual, any family, any business, the first and highest—obviously one of the most expensive—priority is to eliminate this estate tax.

I find that curious because I think if you went to the American people and said to them: When it comes to the taxes that you are likely to pay in your life and those that you believe are particularly unfair, would you believe that the estate tax ranks high on that list? It is not likely they would. They may object to taxes in general. They may object to this tax in particular. But the likelihood that the average American, even one who has done pretty well in life, is going to end up paying the Federal estate tax is minimal. Less than 2 percent of those who die each year pay the tax. If a spouse dies and leaves all the property to another spouse, there is no taxable event—no Federal estate tax is paid.

When you consider the fact that 98 out of every 100 people who die each year face no Federal estate tax, the obvious question is, Why is this the highest priority when it comes to the Republican agenda for tax reform? Wouldn't you think it would be a tax that would help out a lot more people than, say, 43,000 in 1997, some of the wealthiest people in our country? Wouldn't you think it might be a tax that affects the payroll tax that hundreds of thousands of workers pay each week? Or taxes that businesses pay? Or changing our Tax Code so a businessman can offer health insurance to his employee, for example? No, it is not. It turns out, when they drew up their list of priorities, the Republican leadership came to the conclusion that the most important group to single out for assistance would be the wealthiest among us, with this estate tax.

I might tell you, this is not a cheap, inexpensive undertaking. To think we are going to spend some $750 billion for this estate tax reform that is being asked for by the Republican side means, frankly, that money will not be there to be spent for other purposes, which is the reason I am on the floor tonight to discuss this estate tax in the context of choices that are to be made, decisions that are to be made. When the Republicans drew up the line of Americans who needed help the most, they put in the front of the line, in the first place in the line, the wealthiest in our country. That is not new. That is what George W. Bush has proposed when it comes to tax cuts: First help the wealthiest. When it comes to their agenda on the floor of the Senate, the Republican leadership has said: Before you do anything else, help the wealthiest people in our society.

Frankly, I come to this argument with a different perspective. I believe our obligation is to the entire Nation, not only to those who are financially articulate; those who are the largest contributors; those who have made the most of their lives by making the most of their income. It appears that I see this somewhat differently than those who are on the Republican side of the aisle.

Let me concede at the outset that the estate tax should be changed. The estate tax, as it is currently written, has not kept pace with reality. We have not increased the exemption under that estate tax as we should have, and we on the Democratic side are going to propose, as part of a reform of the estate tax, something I think will be of great assistance to the vast majority of families who are barely qualifying to pay an estate tax.

This is what we are going to propose on the Democratic side. We are going to increase the general exemption from $1.35 million per couple to $2 million per couple by 2002, and $4 million by 2010. That means that by 2010, if your estate is worth $4 million, you will not pay a penny in Federal estate tax. How many people will be eliminated from Federal estate tax liability because of the Democratic proposal? Two-thirds of the estates currently subject to tax would not be subject. So we are really taking those who are on the lower end of liability and removing that liability.

We go a step further because there is a legitimate concern in Illinois and around the country that many family farms, for example, cannot be passed on by a surviving spouse to the children; family businesses, small businesses that have been created cannot be passed on to children to carry on. I am sensitive to that. I have met a lot of farmers and a lot of businesspeople who have said: This is something we built our lives around, our family built their lives around. Then when we die, the value of the business is such we could not leave it to our kids.

I think we have to find a way to deal with it. The Democratic alternative does. Let me tell you how. We increase the family-owned business exemption from $2.6 million per couple to twice that of the general exemption of $4 million per couple by 2002; $8 million by 2010. The net result of it is this: This will remove virtually all family-owned farms from liability under the estate tax and 75 percent of family-owned businesses from the estate tax rolls.

I think this is a realistic and honest reform of the estate tax. I can go back to my home State of Illinois and say, for individuals as well as family farms and small businesses, we heard their pleas for assistance and relief and we responded in a way that I can defend. The cost of our approach, over a 20-year period, is some $300 billion. The cost of the Republican approach is $750 billion because, you see, they go all the way. They take the tax off virtually everyone. So if people have been so fortunate, living in this country, prospering in this country, to die with estates that are worth billions of dollars, then, frankly, the Republicans say they should not owe this country a nickel; at this point we are going to take the tax off of them; we are going to give them a tax break.

Let me show some charts to illustrate this tax and its impact. This is estates subject to the current estate tax—97 percent of the current nonfarm, non-small business estates pay no estate tax; 3 percent of small businesses and family farms might face some liability. So it is a tax, as I indicated earlier, that affects very few.

Look at this, too, in terms of the share of the estate tax burden. The bottom 98 percent of people who pass away in this country pay zero in Federal estate tax. The top one-tenth of the wealthiest 1 percent of estates in America pay 50 percent. We are talking about the highest rollers in America, the people who have done the best, who would end up paying over 50 percent of the income that comes to this country from estate taxes. Those are the people the Republicans say should be first in line when we talk about tax relief.

I see it a different way. Let me tell you some of the things we might consider doing instead of providing this kind of tax relief to people who are in such high-income categories.

We could take the difference between the Democratic and Republican plan, some $450 billion over 20 years, and pay down our publicly held national debt. I think that is of value to everybody in this country, rich and poor alike, families, individuals, businesses—big business and small business. Why? As the Government borrows money to pay down its debt, it is money taken out of the system that could have been used for the creation of businesses and capital creation. As the Government borrows money, it competes for available funds in the marketplace and raises interest rates. As we pay down our national debt, we reduce the burden of taxpayers to service that debt and, frankly, give to our children the very best legacy. We do not leave them the mortgage that we incurred for our debts during our lifetime.

Many of us believe that is a more responsible thing to do than to give a tax break under the estate tax to the wealthiest people in this country. The Republicans disagree. They say the highest priority is not bringing down our national debt; the highest priority tax relief is for people who are literally making millions of dollars a year.

Let me give an example. The Republican estate tax bill gives the Forbes magazine's 400 richest Americans, read this now, a $250 billion windfall tax break. Money that could have been spent to reduce our national debt, to say to future generations we are going to take that burden off your shoulders—instead is being given to literally the wealthiest people in America.

That is the idea of tax justice being propounded on the Republican side of the aisle. I don't think it works. I don't think it is consistent with the values and ethics of most American families.

There are other things that can be done and may not be accomplished because of this Republican strategy to eliminate the estate tax in its entirety. Let me address one that is so very important to so many people. It is the prescription drug benefit under Medicare. When the Medicare program was created in the 1960s, President Lyndon Johnson did something which literally changed America. He decided, with the help of the Democratic Congress, that we would create a health insurance plan for the elderly and disabled in America.

At that point in time, they were on their own. If they had the resources to pay for health insurance, or they were wealthy enough not to care, they were taken care of. But the vast majority of people going into retirement were really vulnerable. They no longer had a paycheck—maybe a Social Security check, but they had little else to turn to. When they faced a huge hospital bill or a doctor bill, they were on their own. So we created Medicare.

As good as Medicare has been—and it is a proven success because seniors are living longer—it didn't include prescription drugs. You know what that means today? When you go to a doctor and say, ''I don't feel well,'' the doctor says, ''Let me write out a prescription. Take the pills and see if it helps.'' So you go to the drug store and get the medicine. Maybe it will help, and in most cases it does. But the cost of those drugs continues to increase. A lot of seniors on fixed incomes can't afford to pay for the prescription drugs.

I have had hearings in the State of Illinois, and people have told stories that are sad but true, where they have had to make hard choices. There were seniors who were literally deciding whether or not to fill their prescriptions or to fill their grocery orders; seniors who would go into a supermarket and go to the pharmacy first to decide whether or not they could afford their medicine before they shopped for food; seniors who didn't fill prescriptions because they couldn't afford it, or they may take half a pill instead of what they were supposed to take because they couldn't afford to pay for the full prescription. That is a reality of life in America today.

When the Republicans say our highest priority has to be the elimination of an estate tax, which means a $250 billion windfall tax break to the 400 richest Americans, I think they have it all wrong. I think our highest priority should be a prescription drug benefit. After we have paid down this national debt, we should take a portion of it and put it in a prescription drug benefit under Medicare. That will help more people. It is certainly going to improve the quality of their lives.

If I had to list my highest priority after paying down the national debt, it would be to help with the prescription drug benefit. Now, the Republicans in the House proposed their own version of a prescription drug benefit. It is clearly something supported by the drug companies and pharmaceutical industry because it would allow them to continue to charge their high prices. What it would say is that basically they would subsidize people buying insurance to pay for their prescription drugs. But when you take a close look at it, it falls apart.

First off, the insurance industry doesn't offer that kind of prescription drug insurance by itself. If they do, it is extremely expensive. The reason they don't offer it is something called ''adverse selection.'' If you happen to be very ill and need prescription drugs, you would go and try to buy such a policy. Of course, insurance works when people who are buying the insurance include not only those who need a payout immediately, but those who are going to pay premiums regularly until they do. Well, for that reason, the insurance industry already has said the Republican plan is not likely to ever result in any help to any senior citizens.

Plus, there are a lot of people who have misgivings about turning over prescription drugs and their future to insurance companies. They can recall what many of these same insurance companies did when it came to HMOs and managed care. They forgot about the patient and even forgot about the doctor. We had insurance clerks making decisions on health care. Frankly, the losers ended up being patients and their families.

I recall going to a hospital in Springfield, IL, and doing rounds with a local doctor. He made a decision that a woman should stay in the hospital over the weekend before important and delicate brain surgery on Monday. He had to call the insurance company in Nebraska and ask for permission for her to stay in the hospital. The insurance company clerk said: No, send her home. The surgery is not until Monday.

He said: She is elderly and frail, and she loses her balance; I don't want her to hurt herself, and I want her here Monday for this important surgery.

The insurance clerk was overruling the doctor. The doctor hung up the phone and said: Leave her in the hospital and I will appeal this later on.

That is the kind of insurance company situation the Republicans want to turn to when it comes to prescription drugs. They want these same insurance companies to decide whether or not you get your prescription drugs filled. Well, we have seen what they have done with managed care and with HMOs. It is no wonder that a lot of Americans are skeptical about the Republican approach to this. They would much rather see a plan for prescription drugs under Medicare, one that is universal and covers everybody. Medicare currently covers everybody. I also recall that in the last couple years some 1.3 million seniors have seen their Medicare HMO plans canceled by the insurance companies. So they are high and dry and are looking for insurance coverage.

When the Republicans say we can trust the insurance companies when it comes to prescription drugs and health care, human experience tells us otherwise. These companies make decisions based on the bottom line profit. These companies will cut off people in terms of their coverage when they no longer think they are turning a profit, and they will leave the people high and dry.

The other thing that is fundamentally flawed in the Republican approach on prescription drug benefits is they don't even address the question of pricing. You can create a prescription drug benefit that looks beautiful on paper. It will be easy to sit down with any number of Americans and come to that conclusion. But if you don't address the increasing cost of prescription drugs, it is a guarantee that that benefit and that program will fail. The Republicans do not even address that.

If we bring this program under Medicare, as the Democrats have suggested, we will have bargaining power. What is that worth when it comes to prescription drug benefits? You have heard stories, as I have, about people who go to Canada and buy the same drugs for a fraction of the cost in the United States. They are exactly the same drugs, made in the U.S., approved by the Federal Government, sent to Canada, where they charge a fraction of the cost. Why is this? It is because of the bargaining power of the Canadian Government. They sit down with the drug companies and they say: We are not going to agree to a price increase every month or to the prices going through the roof. If you want your drugs as part of our health care system in Canada, you will keep the prices under control.

Do you know what. The same drug companies—American drug companies—do just that. They keep prices under control in Canada, but they charge Americans skyrocketing drug prices.

The Republican plan on prescription drug benefits doesn't even address this. If you don't address the pricing of drugs, frankly, you are offering no benefit whatsoever—no prescription drug benefits. Do Americans want it? You bet they do, in overwhelming numbers. That is a high priority. But to take a look at this, the highest priority for the Republican leadership in the Senate is not prescription drug benefits for the elderly and disabled; it is the elimination of the estate tax, which gives the Forbes magazine 400 richest American families a $250 billion windfall tax break.

Which would help America more? Prescription drug benefits so seniors can remain independent and strong and healthy for a longer period of time or a windfall tax break to the wealthiest people in this country? I think the answer is obvious. But it really betrays the statement from the Republican side that they are in tune with the American people when they would come up with an estate tax change of such magnitude and which is so generous to the wealthiest among us, when the American people are looking for something much different from this Congress.

We want to make sure the drug benefit is available to everybody. We want to make sure you have your choice, that your doctor will be able to prescribe the necessary drugs for you and that they will be filled. We want to make sure that it is done under Medicare.

We think the effort of the Republicans to take this out of Medicare may be the beginning effort to basically tear down Medicare. This has never been a program the Republicans have cheered over. When we want to try to protect Medicare, it is usually a lonely voice on the Senate floor. They have not been willing to come forward. They understand it was a creation of Democratic leadership, and I guess they are not listening to their seniors and disabled at home who understand the critical importance of this program.

There are other things we can be doing in terms of the Tax Code that would help real people and families. One of them is the full deductibility of health insurance. The fact that self-employed people in this country cannot fully deduct their health insurance premiums is what I consider one of the major injustices in the Tax Code. If you start a small business and you want to provide health insurance for yourself, your family, or for some of your employees, you might find yourself in a position where you cannot deduct the full cost of the health insurance premiums from your taxes. Large corporations can; small businesses can't. Big corporations can do it; family farmers cannot.

That doesn't make any sense. It is unjust. It is a loophole in the Tax Code which should be changed to protect the small businessman and to protect the family farmer and the people who work for them.

If I draw up a list of priorities when it comes to tax reform, I don't start off with the 400 richest Americans and give them a $250 billion windfall tax break. Instead, I deal with real families, real businesses, and real people who are trying to find health insurance to cover members of their family.

I also think we should be considering a tax credit for small businesses that offer health insurance to their employees. We know in America that there are some 4 million people who have no health insurance whatsoever. I think that is a scandal. Frankly, in a nation as prosperous as we are and at a time when we are talking about literally trillion-dollar surpluses, it is incredible to me that we don't have the political will on a bipartisan basis to start talking about health insurance coverage for all sorts of American families and businesses. But we haven't done it. Instead, we hear from the Republican side of the aisle that before we talk about health insurance, before we start talking about tax credits to businesses, before we start talking about prescription drugs, let's take care of the richest people in America. That is their highest priority. That is the group they put on the front of the line. We see it differently on the Democratic side. We believe there are things we can do to improve the quality of life of many people.

Let me also tell you about another proposal on which I prepared legislation. It is called caregivers insurance. We have a plan now for children across America. Many of the States are implementing it. If children don't have health insurance, we help States pay for that health insurance. That is a good plan. I voted for it. I supported it. I think we should extend it to the next phase—to what I call caregivers insurance. When I make reference to caregivers, I am talking about people who work in day-care centers, those who are literally in charge of our children and grandchildren every single day. The people who work for a minimum wage, or slightly more, have no benefits. There is massive turnover in their jobs. I think we ought to be talking about extending health insurance for those caregivers in day-care centers, those who work in personal attendance of the disabled, home health care workers who take care of people so they can stay home and not have to go to nursing homes, and for those working in convalescent nursing homes.

Those are caregivers who have very little benefits. Yet we trust them with our parents, with our grandparents, with our children, and grandchildren.

I think that is the kind of thing many American people would like to see. It will help them pay for child care. It won't raise the cost. We will provide the health insurance through a program of our own at the Federal level. I would like to vote on it. I think it would be well received. I might not get that chance because the vote we will face in the next few days is whether or not, instead of helping caregivers who get up and go to work every day and take care of our kids and parents, we are going to give to the 400 richest Americans a $250 billion windfall tax break with the Republican proposal to eliminate the estate tax.

Mr. DORGAN. Mr. President, I wonder if the Senator from Illinois will yield.

Mr. DURBIN. I would be happy to yield.

Mr. DORGAN. Mr. President, I was interested in the discussion offered by the Senator from Illinois. In fact, I was interested in the discussion earlier by the Senator from Arizona, Mr. KYL, who was complaining about some comments I made earlier in the day.

As I understand the Senator from Illinois, he indicated earlier—and I did earlier today as well—that he would support an amendment that would effectively say we will repeal the estate tax for all small businesses and family farms up to $8 million. So there is no disagreement in this Chamber on that. We will repeal the estate tax for those estates up to $8 million. The difference is the majority party says that is not enough. We want to repeal the estate tax for estates over $8 million as well.

The Senator from Illinois seems to be saying, as I said this morning, that the loss of revenue by repealing the estate tax for the wealthiest estates in this country is something that ought to be measured against other alternatives, such as providing a tax cut for middle-income people, for example, or a range of investments that might be made to strengthen this country.

The Senator from Arizona, I noted, was saying: Well, people who think like that are big-spending liberals.

Who are the real big spenders? They are the folks who say: You know, we ought to spend money by deciding that a $1 billion estate should be relieved of the burden of having any estate tax at all, and decide that relieving an estate tax burden from the largest estates in this country is more important than investment in education, it is more important than a middle-income tax cut, it is more important than paying down the Federal debt.

Who are the big spenders, I ask the Senator from Illinois?

Mr. DURBIN. I think the Senator hit the nail on the head. What the Republicans are prepared to do is spend our surplus by providing tax breaks for the wealthy people in this country. The Senator and I happen to see it differently. We believe we can reform the estate tax and basically protect small businesses, family farms, and estates of people leaving $8 million, and still have money left for valid programs in this country. It will help a lot of working families and family farmers.

Mr. DORGAN. Isn't it a fact, more than reforming the estate tax, that the Senator from Illinois and the Senator from North Dakota and others would say let's effectively repeal the estate tax for estates up to $8 million for small businesses or family farms? In fact, the Senator from Illinois is saying let's repeal the estate tax to that level. But he doesn't want to go the next step as proposed by the majority party of saying no, that is important to do, but let's do something that is even more important. Let's make sure the repeal of the estate tax burden applies to people who leave estates of hundreds of millions of dollars.

Is that a priority? It seems to me that it ought to be measured against a range of other things that we ought to do.

I just make the point that I always smile a little when I hear these pejoratives about big spenders. It is sort of yesterday's news. It so happens that folks standing on this side of this Chamber are the ones who cast the tough votes that put this country back on track of getting rid of the burgeoning Federal deficits a few years ago when there was well over $300 billion in Federal deficits, and now, of course, to balance the budget. We cast the tough votes to do that. I don't need to hear much from people about who the big spenders are. We put this country back on track.

There are those who insist the largest estates in America should be relieved of their estate tax burdens and are suggesting that those of us who believe there are other alternatives that might be more appropriate—more middle-income tax relief, or other things—are called big spenders. I think that is yesterday's language in a wornout discussion.

Mr. DURBIN. I thank the Senator from North Dakota.

Mr. LOTT. Mr. President, will the Senator yield?

Mr. DURBIN. Without losing the floor, I would be happy to yield to the majority leader.

Mr. LOTT. I thank the Senator from Illinois for yielding this time for a unanimous consent request.

INTERIOR APPROPRIATIONS AMENDMENTS

Mr. President, I ask unanimous consent that the following amendments be the only first-degree amendments in order to the Interior appropriations bill and subject to relevant second-degree amendments.

Those amendments are as follows:

B. Smith, Relevant;
B. Smith, Relevant;
Snowe, Relevant;
Snowe, Relevant;
Gramm, Relevant;
Helms, Relevant;
Abraham, Gas tax;
Inhofe, NEA;
Collins, Salmon;
Collins, SPRO authority;
Ashcroft, Methamphetamine Lab cleanup;
Sessions, Rosa Parks Library;
Sessions, Bonsecor Wild Life Refuge;
Sessions, Indian gambling;
Roth, Lewis Maritime Museum;
Crapo, Back country air stripes;
Brownback, Historic markers;
Thomas, Funding for payment in lieu of taxes;
Warner, Louis & Clark expedition bicentennial celebration;
Warner, Fish and Wildlife land purchase;
Grams, Windstorm expenses;
Hatch, Four corners monument;
Gorton, Technical;
Gorton, Technical;
Gorton, Relevant;
Gorton, Relevant;
Gorton, Relevant;
Gorton, Relevant;
Gorton, Relevant;
Craig, Roadless area rule making;
Domenici, Hazardous fuels reduction;
Domenici; Forest Service operations;
Domenici, New Mexico water;
Domenici, Park Service construction;
Grassley, Management of Mississippi River Island;
Grassley, Fish and Wildlife land exchange;
Grassley, Mississippi River Island land exchange;
Stevens, Relevant;
Stevens, Relevant;
Stevens, Direct conveyance of homestead to Dick Redmon;
Stevens, Direct payment to city of Cray;
Stevens, Accrual of interest on escrow;
Stevens, Subsistence dollars to Alaska
Stevens, Modify Weatherization Program;
Lott, Relevant to any on list;
Baucus, Forest Service funding;
Baucus, relevant;
Baucus, relevant;
Bingaman, Hazardous fuels;
Bingaman, Four Corners (w/Hatch);
Boxer, Pesticide use in National Parks;
Breaux/Landrieu
Cane River National Heritage area;
Bryan, Timber Sales;
Bryan, Forest Service land conveyance;
Bryd, Manager's amendment;
Bryd, DoE reprograming;
Bryd, Relevant to any on the list;
Conrad, Relevant;
Conrad, Relevant;
Daschle, Funds for United Sioux Tribes;
Daschle, Relevant to any on the list;
Dodd, Relevant;
Dorgan, Relevant;
Dorgan, Relevant;
Dorgan, Relevant;
Durbin, Strike section 116 grazing permits;
Durbin, Wildlife Refugee in Kankakee River Basin;
Edwards, Land acquisition;
Edwards, USGS flood gauges;
Edwards, Drug control on public lands;
Edwards, Crime control on public lands;
Edwards, Relevant;
Feingold, Relevant;
Feingold, Relevant;
Feingold, Relevant;
Feingold, Relevant;
Feingold, Relevant;
Feinstein, Sequoia National Monument;
Feinstein, Relevant;
Johnson, Relevant;
Johnson, Relevant;
Johnson, Relevant;
Kerrey, Relevant;
Kerry, American Rivers—Sec. 326;
Landrieu, National Center for Technology and Training;
Landrieu, Oakland Cemetery funding;
Levin, Land acquisition, NPS;
Levin, NPS operations;
Lieberman, Northeast Home Heating Oil;
Reed, NEA;
Reed, Weatherization;
Reid, Relevant to any on list;
Torricelli-Reed, Urban parks;
and, Wellstone, #3772 Minnesota Forest;

The PRESIDING OFFICER (Mr. BROWNBACK). Is there objection?

Without objection, it is so ordered.

DEPARTMENT OF DEFENSE AUTHORIZATION

Mr. LOTT. Mr. President, I ask unanimous consent that no later than 6:30 p.m. tonight, notwithstanding rule XXII, the Senate resume consideration of the Department of Defense authorization bill. I further ask unanimous consent that any votes ordered with respect to the amendments offered and debated tonight occur beginning at 11:30 a.m. on Wednesday, with no second-degree amendments in order, where applicable, and 2 minutes prior to each vote for explanation, and that there be 2 hours prior to the 11:30 a.m. votes to be equally divided prior to proceeding to H.R. 8.

To sum up, we would complete the remaining debate time between now and 6:30 on the death tax issue. Then we would go to the Department of Defense authorization bill for debate on amendments tonight. Those votes on amendments, if any are required, would occur at 11:30.

When we come in at 9:30 tomorrow, we would have 2 more hours for debate time on the estate tax/death tax issue with no second degrees in order, and there will be 2 minutes prior to each recorded vote at 11:30, prior to the vote.

Mr. REID. Reserving the right to object, Mr. President, first of all, we are advised that we have a number of Senators who will have 15 minutes each to speak in the morning. I don't think we need to agree to the motion. We consent to going to H.R. 8, if that is OK with the leader.

Mr. LOTT. Prior to the agreeing to the amendments, to proceed, which could be done.

Mr. REID. We want to do it by consent rather than agreeing to the motion.

Mr. LOTT. Mr. President, I modify it to say that there will be 2 hours prior to 11:30 a.m., with 2 minutes equally divided before votes to be equally divided as we go to H.R. 8.

Mr. REID. Reserving the right to object, we just received a phone call. I think this is a good agreement, but I need to call a Senator. I say to the leader, if I handle this, the leader doesn't need to be on the floor and I can agree to the unanimous consent request proposed.

Mr. LOTT. I withhold my unanimous consent request at this time. I apologize for interrupting speakers. If Senator REID can make this call and we can renew this request momentarily, I would like to do it. I need to go to a retirement event for Senators and House Members. Hopefully, we can complete this momentarily.

I yield the floor.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. As I mentioned earlier, the issue before the Senate is the Republican proposal to abolish the estate tax. This is a tax which is paid by less than 2 percent of the people who die in America. Those who pay it are in the very highest income categories. When the Republican leadership put together its list of priorities of the most important things to be done under the Tax Code, they said the first and most important thing to do, and one of the most expensive things we can do, is to relieve the wealthiest people in America from paying an estate tax. That, to me, raises a question of priorities.

Who will be first in line on the Republican side of the aisle to benefit from this congressional action? According to the Republican leaders, the first in line will be the people who are first in line in the world—the wealthiest in this country, the wealthiest who will benefit from the elimination of this estate tax.

The New York Times editorial on June 11 of this year summarizes the impact of this Republican proposal:

> Seldom have so many voted for a gargantuan tax cut for so few. Abolishing the estate tax would have severe consequences. When fully phased in, the bill would cost about $50 billion a year. Repeal would also threaten the Nation's finest universities and museums. Wealthy families no longer facing estate tax cuts might well decide to leave more money to their families, and less to charity.
>
> The Democrats offered a more than reasonable alternative. Yet the House swatted the

alternative aside, demonstrating that a large majority of Members were less concerned with rescuing family farms and businesses than with enriching their wealthiest supporters.

Another editorial worth making part of the RECORD is from USA Today on June 9:

But behind the caterwauling about the ‘‘death tax’’ the truth is quite different. Most people will never be affected by inheritance taxes: 98 percent of all estates aren't big enough to be liable. Even among the elite 2 percent, very few are farmers and small businesses. But there are better ways to spend $50 billion a year than handing it to the heirs of the wealthiest people in the country. Take your pick: Middle class tax cuts, improved health benefits for seniors or paying down the national debt for starters.

That is what this is about.

The question we have to ask ourselves, Whose side are we on? Are we on the side of the wealthiest people in this country in terms of helping them out or will we be on the side of businesses, family farms, and families who are struggling to get by?

Another topic we are debating that relates to this debate on the estate tax is something called an H–1B visa.

Mr. LOTT. I apologize.

Mr. DURBIN. I am happy to yield to the majority leader.

Mr. LOTT. Mr. President, I renew my unanimous consent request.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

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

Mr. DURBIN. The H–1B visa is a request by many people in private industry to increase the number of those who can come into the United States by the tens of thousands to fill well-paying, highly skilled jobs. The argument of these businesses is that they can't find workers in America with the skills necessary. We find these arguments coming out of Silicon Valley and similar high-tech areas. They just cannot find skilled American workers to fill the jobs. They ask us to change the law and allow immigrants to come from other countries to fill these jobs. They have a legitimate concern.

Many Members believe we should do something to help them. If the alternative to bringing in people working in this country is shipping the jobs overseas, that certainly doesn't do our economy any good. Isn't it interesting that we are considering the shortages in skilled workers and allowing immigrants to come in to fill these jobs, instead of discussing as part of a program a way to improve education and training in America so we have these skilled workers?

If we are going to improve that education and training, it will cost money. Instead of putting the money into education to help kids go to college and to get special skills, the Republicans think we should put the money into tax relief for the wealthiest people in this country. That is the reprise we hear over and over again on the Republican side: Just make the wealthiest people in this country wealthier and America will be a better place to live.

I think the wealthy people can take care of themselves. They do pretty well. The people who need a helping hand are families trying to put their kids through school.

One of the tax benefits which most of us on the Democratic side support, one that has been proposed by President Clinton, allows working families to deduct the cost of college education from their taxes. That means if we have a tuition bill of $10,000, the Federal Government will basically help pay for college education expenses up to, say, $2,800 a year. That is a direct helping hand from the Government. It doesn't go to the wealthiest among us but to people who are struggling to make sure their kids have a better chance in this world than they had.

I have often thought to myself, when a new child is born into a family, after everybody has come around and admired the child and tried to figure out if he or she looks like mom or dad or grandma or grandpa, one of the things usually said is: Boy, by the time this little one reaches college age, how will we ever afford to pay for it? That is a real conversation I have heard over and over again.

Seldom, if ever—in fact, never—have I heard families say, boy, this little one here, I am worried about how much of my estate I will be able to leave when I die. People think in terms of the needs of the living. And the needs of the living include college education. On the Republican side, this is not a priority. It is certainly not as important a priority as giving a tax break to those with the most extensive and largest estates in America.

I can recall back in the late 1950s when the Russians launched Sputnik. There was a fear in the United States that they had a scientific advantage on the U.S. and that this advantage that launched the satellite into space might lead to a military superiority. Congress decided for one of the first times in its history to provide direct assistance to students. We created something known as the National Defense Education Act. The reason I recall that so fondly is because I happened to be one of the beneficiaries of that Federal program. It was a loan program. You could borrow money to go to college, complete your degree, and pay it back to the Government. It was the best deal I ever had. I like to think the money I received was money well spent for me and my family and perhaps for the country.

Isn't this a time in our history where we ought to be stepping back and, instead of trying to come up with an estate tax break for the wealthiest families in America, shouldn't we be thinking about ways to help families across America pay for college education and training so we in America have a workforce ready for the 21st century? I think education should be the first priority when it comes to tax breaks. I don't think the first priority should be the estate tax repeal that the Republicans have proposed. I think the wealthiest among us, as I said earlier, can take care of themselves. If we can find ways to help families pay for college education, then I think we will be doing something meaningful, something that is responsive to families, to what families across America are looking for. As I said earlier, the basic question is, Whose side are we on in Congress?

I also find it interesting that we have the time, whatever it takes, to spend debating and passing tax relief for wealthy Americans, but no time to address the question of an increase in the minimum wage. There are 350,000 people in my home State of Illinois who got up this morning and went to work making a minimum wage. Some of them are teenagers in their first jobs, but, sadly, many of them are folks who are working one, two, and three jobs trying to keep the families together. For years, literally for years, the Democrats have been asking for an increase in the minimum wage across America. Mr. President, $5.15 an hour is not enough. It is not enough to raise yourself, let alone a family. Unfortunately, the Republicans have opposed our efforts to increase the minimum wage by $1 over a 2-year period of time.

They say they are fearful of the impact it might have if we give people something closer to a living wage, but they obviously have no fear in spending $750 billion in a tax break for the wealthiest among us, people who are literally making, on average, over $190,000 a year in the year of their death. Those are the ones the Republicans believe need help from Congress. Those who get up every morning and go to work, cleaning tables in a restaurant, making the food in the kitchens, making the beds in the motels, watching our kids in day-care centers, the Republicans believe they do not need an increase in their minimum wage.

What a difference in priorities. I would put those folks who are working hard for America and doing the right thing in the front of the line. The Republicans put the wealthiest, those who have made the most in this great country of ours, as the highest priority when it comes to action by Congress.

Time and again, when given choices between increasing health care for workers and their families, giving tax benefits to small businesses so they can offer health insurance, giving people the means to pay for the college education of their kids, offering such things as long-term care insurance or help for the care of their aging parents, the Republicans have said: No, it is not on our priority list. Our priority list starts with the wealthiest people in America, the people who Forbes magazine identified as the 400 richest families in America who would benefit from the Republican estate tax repeal to the tune of $250 billion. That is where they believe we should spend the money.

Frankly, that is what elections are all about. Those of us on the Democratic side who believe we can have a better Nation, that we can take our anticipated surplus and invest it in the people of this country, think the Republicans are fundamentally wrong. We can reform the estate tax, we can exempt the vast majority of families, over 99 percent of the families in America, we can exempt virtually two-thirds or more of those who are currently paying the tax, and we can exempt family farms and small businesses—75 percent are currently paying the tax—and do it in a way where we will have money left to invest in education and health care. No, the Republicans, frankly, say every penny has to go to the wealthiest people in this country.

We ought to keep a running score on the proposals on the Republican side and what they are going to cost. This one is worth about $750 billion. If I am not mistaken, the George W. Bush tax cut for wealthy people—a separate tax cut—is worth over $1 trillion, and the George W. Bush proposal to privatize Social Security will cost some $800 billion and have benefits reduced under Social Security. To that extent, this gives us an idea of how the Republicans time and time again want to spend the surplus which we are now enjoying in this country. That is something many of us think is very shortsighted.

The President's belief, and one I share, is that the first commitment of any surplus should be in paying down the national debt so we carry less of a burden for paying interest on that debt and less of a burden for our children. We should take that money in our surplus and invest it in Social Security and Medicare so they are strong for a long time to come, and then target tax cuts to middle-income families, those who are struggling, as I said, to pay for basic expenses, whether it is day care, college education, or long-term care for their parents.

That is the difference in philosophy. That is the choice in the election year. For the Republicans, the first group in line will always be the wealthiest among us. That is their party. That is in what they believe. They think if the wealthy are treated right, America is a much better place to live. A lot of us believe differently. We think investing in our people is a much better investment.

I want to speak for a moment about prescription drugs, too, because I said earlier this is a priority among Democrats, Republicans, and Independents alike. They believe prescription drug benefits should be passed by this Congress. The Republican answer to that is the same answer they came up with on a Patients' Bill of Rights: They turned to the insurance industry and said to insurance companies: How can we make some money for you in terms of a Patients' Bill of Rights pricing?

They came up with this notion we would somehow subsidize insurance plans to pay for prescription drugs. I think Americans are skeptical of that approach. They understand the Democratic approach which would use the Medicare system, which would be universal, and is a tried-and-true system under Medicare to provide benefits to families across America and would give the Medicare system bargaining power to keep drug prices under control.

The Republicans want to subsidize insurance companies. It is no surprise Americans are skeptical of whether those insurance companies will be responsive to the needs of families when it comes to prescription drugs. That is why we have a serious difference between the two parties on this issue. The Republican bill does not give seniors a choice of guaranteeing coverage under Medicare. That is the most important single thing that seniors ask for: guaranteed prescription drug coverage under Medicare. The Republican plan does not respond to that.

The Republican plan also provides subsidies to insurance companies, and yet there is no guarantee that the insurance companies will even offer the coverage, and they will not be offering a Medicare-type plan.

The Republican approach on prescription drugs does nothing about fair prices. As I said earlier, the pharmaceutical companies must be cheering this idea. The Government is going to subsidize some sort of insurance scheme to pay for prescription drugs, and yet the prices continue to go through the roof. We understand that such a plan will never work. What insurance company is going to sign up to pay your prescription drugs with no guarantee of any control on price? The Republicans, obviously, are insensitive to the price issue.

In addition to accessibility to prescription drugs insurance, price is also important. Americans understand that drugs in Canada, made in the United States, sell for a fraction of the cost. One can take the same pill and order it at the veterinarian for one's dog and go across the street and order it for oneself and find a dramatic difference in cost. It is because the drug companies are gaming the system, and they are very open about it. They are going to charge the highest price to those who will pay it, and those who will pay for it in our country are the Medicare beneficiaries—the seniors and disabled.

Once again, Republicans have failed to respond to the basic need in this country: a prescription drug benefit. It is no surprise the Republicans do want to use the Medicare system as the Democrats have proposed. We believe we can provide to seniors the choice of a guaranteed prescription drug coverage under Medicare, but the Republicans are opposed to that. They have been critical of Medicare since its creation. They have talked about privatizing this benefit of prescription drugs, leading many to believe that ultimately they are hoping to privatize Medicare.

When we tried, incidentally, to privatize a portion of Medicare recently—we said to Medicare recipients: You can buy an HMO plan—the insurance companies, after a year or two, turned around and said they were not going to write coverage anymore. It has happened in Illinois and across the country and a million seniors have been left high and dry by an insurance market that is driven almost exclusively by profit.

That is, unfortunately, where the Republicans have turned again, to the insurance industry, to try to provide some help with prescription drugs. It is not going to work, and the American people know better. They are going to hold this Congress accountable. If the best we can come up with is the estate tax relief for the wealthiest estates in America and nothing when it comes to prescription drug benefits, then we have failed the most basic test, and that is whether we respond to the common need in this country. The common need clearly is for a prescription drug benefit, as well as a Patients' Bill of Rights so you can go to your doctor with confidence, and when that doctor makes a decision about you and your family's health, it is not going to be overruled by someone who works for an insurance company.

Those are the basics: Minimum wage, prescription drug benefit, Patients' Bill of Rights. These are things Republicans have not added to their list of priorities. No, their highest priority when it comes to spending and tax relief still turns out to be the wealthiest people in America. We believe that is wrongheaded. It does not take into account the folks who built this country and made it strong for so many years.

I conclude by saying this estate tax is really a test of the priorities of the political parties. Who will be the first in line in the U.S. Congress for help? Who would you turn to first with $750 billion to provide some equity under the Tax Code? Which group of Americans would you single as needing the most help? The Republicans have answered those questions with the repeal of the estate tax. They believe the people who need the help the most are the folks who have the most in America. I do not believe that is what America is all about.

I yield the floor.

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

The Senator from Maine.

Ms. COLLINS. On behalf of the majority leader, I ask unanimous consent that notwithstanding the DOD authorization bill, I be recognized for up to 12 minutes for debate on the estate tax issue.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The Senator from Maine may proceed.

Ms. COLLINS. Mr. President, it is disappointing to hear the rhetoric from some of my colleagues on the other side of the aisle, implying that if we give our family farmers and our family business owners much needed relief from confiscatory death taxes that we will somehow not be able to afford prescription drug coverage for our senior citizens, or education for our children. That is simply not true. It is disheartening to hear these distortions from some of my colleagues.

I rise today as a longtime supporter of death tax relief for family-owned businesses and farms. In fact, the very first bill I introduced as a Senator in 1997 was to provide targeted estate tax relief for our family-owned businesses. I was very pleased when key elements of my legislation were incorporated into the 1997 tax reform bill.

I first became interested in this issue in my role as director of the Center for Family Business at Husson College in Bangor, ME, where I served prior to coming to the Senate. The center sponsored a seminar on how a family business should plan to pass a business on from generation to generation. It soon became very clear to me that a major obstacle to this goal, and a significant reason why so few family businesses survive to the second, third, or fourth generation, is the onerous estate tax.

To illustrate this fact, let me share with my colleagues the story of Judy Vallee of Portland, ME. Ms. Vallee's father started a restaurant in Portland, ME. He worked very hard. The whole family worked hard. Eventually he was able to build his business from one restaurant in Portland, ME, to a chain of 25 restaurants up and down the east coast.

Unfortunately, he died. The family was hit with a whopping estate tax bill of about $1 million—a bill they simply did not have the cash to pay because their assets were tied up in these restaurants. The result was the dismantling of this business, this very successful family business, which Mr. Vallee had labored a lifetime to build.

The ultimate result was that the family was forced to sell off all the restaurants but the one they started with in Portland. That is simply wrong. It is unfair when our tax policy forces a family to dismantle a lifetime of work. It is unfair that a parent cannot pass on to the next generation the fruits of that hard work.

The need for death tax relief is something that small businesses and farmers tell me about every time I am back home in Maine. And that is every weekend. I recently talked with auto dealers from all over the State, including an auto dealer in Bangor, ME, who has built a successful business that he very much wants to leave to his sons.

I have also talked with funeral directors, with bakery owners, with lumber dealers—with a host of businesses of all sizes and kinds throughout the State—who simply have the goal of working hard, creating jobs, building their businesses, and being able to leave those businesses to the next generation. Many of these businesses are capital intensive but cash poor. That is why they are hit so hard when the owner dies and they are subjected to onerous estate tax rates.

In many small towns throughout the State of Maine, these family businesses are the heart and the soul of the community. They are the businesses that support the United Way, sponsor the Little League team, and contribute generously to other local community-based charities. They are the businesses that are always there to help because they employ their friends, their neighbors, and their family members. They are so closely linked to the economy of the small towns in which they exist.

I know that small business owners across the State of Maine were so pleased to see the House of Representatives approve H.R. 8 last month with such a strong bipartisan vote. I stress, the vote was, indeed, broad based and bipartisan. A total of 65 House Democrats—both moderate and liberal Members—constituting more than 30 percent of the entire House Democratic caucus, joined Republicans in voting for the bill.

Here in the Senate there is also broad bipartisan support for the death tax relief bill introduced by my friend and colleague, Senator JON KYL, who has been such a leader in this effort.

As a matter of sound, long-term tax policy, H.R. 8 seeks to make a very fundamental and noteworthy change to the Tax Code. It recognizes that it is the sale of the asset, not the death of the owner, that should trigger a Federal tax. H.R. 8 would establish the principle that if family members inherit assets or property—a family business or a farm, for example—the Federal Government would tax those assets when they are sold by the heirs by imposing a capital gains tax.

Furthermore, the legislation before us would allow the Government to use the decedent's basis for determining the taxable amount of the inherited assets. So if a family businessperson dies and leaves the assets and property of their business to his or her children, they can continue running the business if they choose to do so without having to worry about the Federal Government's death tax bill forcing them to break up the business or sell the farm. This change would represent a giant step forward for many small businesses and family farms throughout Maine and the country.

There are two other points that I want to make about the impact of the death tax. The first is that it has a very unfortunate impact on jobs. The National Association of Women Business Owners, a group I was pleased to work with in my time with the Small Business Administration, has written a letter endorsing passage of this legislation. This organization surveyed many of its members and found that, on average, 39 jobs per business, or 11,000 jobs of those businesses surveyed, have already been lost due to the planning and the payment of the death tax. You can multiply that death tax time and again to see the deleterious impact of the death tax on job creation.

I know a bag manufacturer in northern Maine who told me that he spends tens of thousands of dollars each year on life insurance in order to be prepared in case he dies so that his family would not be hit by the estate tax. That is money he would like to invest right back into his business in order to hire more people or to buy new equipment or to expand his company. But instead, he is having to divert this money into planning for the estate tax. That is a point that is missed by my colleagues on the other side of the aisle.

They claim that only 2 percent of the people are affected by the estate tax. In fact, it is so many more than that because of businesses that spend tens of thousands of dollars each year on life insurance or estate tax planning in order to avoid the imposition of the death tax.

The second point that I want to make is the impact of the death tax on the concentration of economic power in this country. I think this is an issue that has been largely overlooked in this debate.

When a small business is sold because the children cannot afford to pay the death tax, it is usually sold to a large out-of-State corporation which is not subject to the death tax. When that happens, it generally results in layoffs for local employees, diminished commitment to the community, and a greater concentration of economic power. Surely, we should not want that to be the result of our Federal tax policy.

The time has come for Congress to act this year to provide overdue death tax relief to our Nation's small businesses and family farms.

In doing so, we will take a giant step forward in making our tax policy far fairer. No longer will it be the death of an owner that triggers the imposition of tax but, rather, the sale of the asset when income is realized. That makes so much more sense as a matter of tax policy. We will also be telling people who have worked so hard over a lifetime to build their business that we, too, believe in the American dream.

I yield back any time I may have remaining, and I yield the floor.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2001

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of S. 2549 which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 2549) to authorize appropriations for fiscal year 2001 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Pending:

Smith (of New Hampshire) amendment No. 3210, to prohibit granting security clearances to felons.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, we are prepared to go, but I would like a few minutes to consult with the proponents of the next amendment, together with my distinguished ranking member. I propose to have a quorum call not to exceed 5 minutes. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. WARNER. Mr. President, I will momentarily request that we go to regular order, which would bring up the amendment pending by the Senator from New Hampshire, Mr. SMITH. Might I inquire of the Chair if I am not correct?

The PRESIDING OFFICER. That is the pending amendment.

Mr. WARNER. Mr. President, I request regular order, that the amendment be brought up.

The PRESIDING OFFICER. The amendment is pending.

Mr. WARNER. Mr. President, I ask unanimous consent that the yeas and nays be vitiated.

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

Mr. WARNER. I thank the Chair.

Mr. SMITH of New Hampshire. Mr. President, the hearing the Armed Services Committee held April 6 on the issue of security clearances revealed a shocking lack of concern within DOD for protecting our national security secrets.

As a result of that hearing, I proposed an amendment. My amendment, again, is simple. It would prevent DOD from granting security clearances to those who are under indictment for, or have been convicted in a court of a crime punishable by imprisonment for a term exceeding 1 year.

It would also disallow a clearance for anyone who is a fugitive from justice; is an unlawful user of, or addicted to any controlled substance; has been adjudicated as a mental defective; or has been dishonorably discharged from the Armed Forces.

As I said on the floor earlier, in an investigative series by USA Today, it was reported that DOHA, the Defense Office of Hearings and Appeals, granted clearances routinely to felons, including a murderer, individuals with chronic alcohol and drug abuse problems, a pedophile and an exhibitionist, and a convicted cocaine dealer. All received security clearances to work for defense contractors. Another individual was awarded a clearance while on probation for bank fraud, yet another was allowed to keep his clearance after taking part in a $2 million fraud against the Navy. Another had a history of criminal sexual misconduct for which he was still undergoing therapy.

Common sense dictates that one convicted murderer—or one convicted drug dealer with a security clearance—is one too many.

One individual can wreak havoc on national security. The damaging legacy of Aldrich Ames, Jonathan Pollard, the Walkers, and now suspect spy, Wen Ho Lee, is well-known to all of us who deal with national security issues. We simply cannot afford to have loose standards when it comes to protecting our secrets—and protecting lives.

Let me just add that during the Armed Services Committee hearing on this issue, the witness from DOD's C3I, which oversees the Defense Security Services, said this in response to my questioning:

I agree wholeheartedly with your observation that one unqualified person for a clearance is one too many, and clearly, I think zero defects is the goals for all of us.

Zero defects—that is what DOD said its goal is for security clearances—well, I agree with that completely, but we have to take measures to reach that goal—not just talk about it as an ideal.

Realistically, we cannot take all of the risk out of the system, but we can at least take a practical approach to denying clearances to those people who have broken the law by serious infractions. And we can send a message to DOHA that it has been far too lenient in granting clearances. This amendment sends that message.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to amendment No. 3210.

The amendment (No. 3210) was agreed to.

Mr. WARNER. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. WARNER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. WARNER. Mr. President, we have had an extensive conference with Senator BYRD and representatives of Senator ROTH's office.

AMENDMENT NO. 3767

(Purpose: To provide for annual reporting of the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China, and for other purposes)

Mr. WARNER. Mr. President, I send to the desk the Byrd-Warner amendment No. 3767.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Virginia (Mr. WARNER), for Mr. BYRD, for himself, Mr. WARNER, Mr. LEVIN, Mr. HOLLINGS, Mr. HELMS, Mr. BREAUX, Mr. HATCH, and Mr. CAMPBELL, proposes an amendment numbered 3767.

Mr. BYRD. 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 as follows:

On page 415, between lines 2 and 3, insert the following:

SEC. 1061. ANNUAL REPORT ON NATIONAL SECURITY IMPLICATIONS OF UNITED STATES-CHINA TRADE RELATIONSHIP.

(a) IN GENERAL.—Section 127(k) of the Trade Deficit Review Commission Act (19 U.S.C. 2213 note) is amended to read as follows:

"(k) UNITED STATES-CHINA NATIONAL SECURITY IMPLICATIONS.—

"(1) IN GENERAL.—Upon submission of the report described in subsection (e), the Commission shall continue for the purpose of monitoring, investigating, and reporting to Congress on the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China.

"(2) ANNUAL REPORT.—Not later than March 1, 2001, and annually thereafter, the Commission shall submit a report to Congress, in both unclassified and classified form, regarding the national security implications and impact of the bilateral trade and economic relationship between the United States and the People's Republic of China. The report shall include a full analysis, along with conclusions and recommendations for legislative and administrative actions, of the national security implications