to abolish the estate tax while continuing the current provision that provides a step up in the basis of assets received from a decedent are not arguing to abolish double taxation, they are arguing to abolish single taxation. In fact, the amount of revenue that the Federal Government gives up through allowing that step up in basis is quite significant, even when compared to the total revenue generated by the estate tax.

I would point out that, if we want to abolish double taxation, let us start by providing a credit for every working family equal to the sales tax that they have to pay, so that somebody who is trying to make it on 6 bucks an hour or 9 bucks an hour goes out and buys goods in their State, goes out and buys food and clothing, that we care for that working American first and worry about that double taxation where somebody makes 6 bucks an hour, makes a certain amount, loses a chunk due to Federal taxation, and then sees a portion of that net pay going in State sales tax.

We are told that many businesses are not continued in family ownership and that somehow that is terrible for the employees. But we are given only the statistic that the heirs of small businesses choose not to continue those businesses. We are not told why. Does the son or daughter of a farmer want to be a farmer? Sometimes yes, sometimes no. If they choose not to be in agriculture, is that traceable to the estate tax? Only by a few stories, a few analyses, no statistics.

We are told that family businesses are sold and that is bad for the employees of those businesses. Are we given any statistics as to what happens when those family businesses are sold? No. Nor are we told whether those family businesses are sold because there is a Federal estate tax or for some other reason.

In fact, we have special provisions in the estate tax law designed to minimize and delay the effect of the estate tax on those whose inheritance is made up chiefly of a farm or chiefly of a closely held business. Those tax provisions are availed of, I believe, roughly 6 percent of the time. That means we are abolishing a tax that 94 percent of those paying the tax have nothing to do with small business, or at least nothing to do with those provisions.

Mr. Speaker, I regret only that 5 minutes does not allow me to even scratch the surface of the disadvantages of this bill. I look forward to the debate on Friday.

NATIONAL EMPLOYMENT DISPUTE RESOLUTION ACT OF 2000

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from North Carolina (Mrs. CLAYTON) is recognized for 5 minutes.

Mrs. CLAYTON. Mr. Speaker, I am today introducing the National Employment Dispute Resolution Act of 2000. This bill will build on H.R. 3528, the Alternative Dispute Resolution Act of 1998, which we passed last Congress. The goal of this initiative is to establish alternative avenues for the resolution of disputes.

The bill I introduced today will amend five current statutes, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Americans With Disabilities Act of 1990, the Vocational Rehabilitation Act of 1973, and the Civil Rights Act of 1991.

Essentially, the bill mandates mediation as an alternative to litigation of employee claim under these statutes.

Alternative dispute resolution is commonly referred to as ADR. ADR includes a range of procedures, such as mediation, and it also includes arbitration, peer panels and ombudsmen.

Traditional dispute resolution in America almost always involves a plaintiff and a defendant battling each other in a court before a judge or jury to prove that one is wrong and one is right. It is time consuming, it is expensive, too expensive for most wage earners to afford, and often too time consuming to be of much practical use.

In addition, as one writer has observed, a process that has to pronounce ''winners and losers necessarily destroys almost any preexisting relationship between the people involved'' and ''it is virtually impossible to maintain the civil relationship once people have confronted one another across a courtroom.''

The National Employment Dispute Resolution Act of 2000 requires all Federal agencies and private employers to establish a volunteer alternative dispute resolution program.

The purpose of the bill is to guarantee that all litigants have another way to resolve their differences short of a full trial.

Mediation is a volunteer process in which a neutral party, a mediator, assists disputants in reaching a negotiated settlement of their differences.

The process allows the principal parties to vent and diffuse feelings, clear misunderstandings, find areas of agreement, and incorporate these areas of agreement into solutions that the parties themselves construct.

The process is quick, efficient, and economical. It also facilitates the lasting relationship between disputants.

A recent survey by the General Accounting Office showed that mediation is the ADR technique of choice among the five Federal agencies and five private corporations that were surveyed.

The report stated, ''Most of the organizations we studied had data to show that their ADR processes, especially mediation, resolved a high proportion of disputes, thereby helping them to avoid formal redress processes and litigation.''

In a taped message during a recent Law Day Ceremony, Attorney General Janet Reno said, ''Our lawyers are using mediation . . . to resolve employment cases. I have directed that all of our attorneys in civil practice receive training in mediation advocacy.''

On that same day, President Clinton issued a memorandum creating a Federal interagency committee to promote the use of alternative dispute resolution methods within the Federal Government pursuant to the Administrative Dispute Resolution Act of 1996.

In addition, the Civil Rights Act of 1991 encourages the use of mediation and other alternative means of resolving disputes that arise under the act or provisions of Federal laws amended by the title. In 1995, the Equal Employment Opportunity Commission promulgated its policy on ADR which encourages the use of ADR in appropriate circumstances.

Mr. Speaker, thus the bill that I introduce today is but another step in the fabric we must weave to ease the burden on our courts and provide an expeditious response to disputants who wish to resolve their claims and differences.

I urge all of my colleagues to take a close look at the National Employment Dispute Resolution Act of 2000.

□ 2045

ELIMINATING THE ESTATE TAX

The SPEAKER pro tempore (Mr. GARY MILLER of California). Under the Speaker's announced policy of January 6, 1999, the gentleman from Illinois (Mr. CRANE) is recognized for 60 minutes as the designee of the majority leader.

Mr. CRANE. Mr. Speaker, I rise today to address the tax that is one of the most obscene, unfair, and immoral of all taxes. The estate tax, or what is commonly referred to as the death tax, since it is generally triggered only by one's removal from productive life, has outlived its usefulness. Later this week, this body will be voting on legislation to eliminate the death tax, and I think it is past time to bury the death tax once and for all.

Mr. Speaker, I am submitting for the RECORD an article by William Beach from the Heritage Foundation entitled ''Time to Eliminate the Costly Death Tax.''

TIME TO ELIMINATE THE COSTLY DEATH TAX

(Published by William W. Beach, the Heritage Foundation)

The U.S. House of Representatives is once again poised to vote on repealing the federal death tax. In view of the strong support that death tax repeal receives from the general public, the House debate should be firmly grounded in what an increasingly large percentage of voters already know: Death taxes adversely affect many times the number of people who pay the tax collector. The Death Tax Elimination Act (H.R. 8), sponsored by Representatives Jennifer Dunn (R–WA) and John Tanner (D–TN), is a response to this growing understanding and offers the House its second opportunity in an many years to eliminate this onerous tax.

Death taxes most often burden the very people that tax policy is intended to help. For example:

Women and minorities are very often owners of small and medium-sized businesses. After sacrificing daily to build their businesses by reinvesting their profits, they soon realize that the financial legacy of their hard work, which they hoped to pass on to their children, instead will fall victim to confiscatory taxation and liquidation.

Farmers often face losing their farms, but this is not so much because of competition from wealthy agribusinesses or capitalist ''robber barons.'' More often, it is because the federal government heavily taxes the estates of people who invested most of their earnings back into their farms and had only meager liquid savings.

Workers suffer when they lose their jobs because many small and medium-sized businesses are liquidated to pay death taxes and because high capital costs depress the number of new businesses that could offer them a job.

Low-income people are harmed—not only because the general economy is weakened by the death tax's rapacious appetite for family-owned businesses, but also because the death tax discourages savings by encouraging consumption.

Specifically:

Death taxes hurt small businesses. Investing in a business is one of the many ways to save for the future. For most small firms, every available dollar goes into the business—the dry cleaning firm, the restaurant, the trucking company—to ensure that it sustains an income for the owners's family and is an asset to pass on to children. Women with children often find self-employment to be the only entry-level work available. Minorities, many of whom wish to raise their families in ethnic communities, understand well the virtues and promises of self-employment. Yet the financial security that family-owned and small businesses provide these Americans is put at risk if the owner dies with a taxable estate.

In an important 1995 study of how minority business owners perceive the estate tax, Joseph Astrachan and Craig Aronoff, economists of Kennesaw State University in Georgia, found that:

Some 90 percent of the surveyed minority businesses know they might be subject to the federal estate tax;

Although 67 percent of these businesses have taken steps (gifts of stock, restructuring ownership, purchasing life insurance, and buy-sell agreements) to shelter their assets from estate taxes, over 50 percent of them indicate that they would not have taken these steps had there been no estate tax; and

Some 58 percent of all respondents in the survey anticipate business failure or great difficulty maintaining the business after their death.

Death taxes are more ''affordable'' as income rises. Taxpayers who cannot pay tax-planning fees frequently lose more of their estates to death taxes. Thus, what appears to be a progressive tax contains a regressive dimension. Experts on the death tax continually are struck by the number of taxpayers who are insufficiently prepared to pay the death tax and by the high correlation of these types of people with those who have not had the benefit of high-priced legal and accounting advice. Indeed, legal avoidance of high death tax liabilities is closely related to the amount of fees taxpayers are able to pay for expensive tax-planning advice.

Death taxes undermine savings and investment. Not only do death taxes reduce potential employment opportunities and undermine the promise that hard, honest labor will be rewarded, but they also encourage consumption and undermine savings. What can be said generally about income taxes can be stated emphatically about death taxes: Accumulation of more wealth will lead to more taxes, while consumption of income will result in relatively lighter taxation. In other words, it makes more tax-planning sense to buy vacations in Colorado or a painting by Rubens than to invest in new production equipment or expand a business.

Death taxes are costly to collect. The economic effects of the disincentive to save and invest are striking, especially in light of the relatively small amount of federal revenue raised by death taxes. A 1996 Heritage Foundation analysis of death taxes using the WEFA Group U.S. Macroeconomic Model and the Washington University Macro Model, for example, found that, if the estate tax had been repealed in 1996, then over the next nine years: The U.S. economy would average as much as $11 billion per year in extra output; an average of 145,000 additional new jobs could be created; personal income could rise by an average of $8 billion per year above current projections; and the extra tax revenue generated by extra growth would more than compensate for the meager revenue losses stemming from the repeal.

The death tax is not even a good value for the government. Federal death taxes probably are the most expensive taxes to pay and collect. Death taxes raise just slightly more than 1 percent of total federal revenues, but according to one 1994 analysis, total compliance costs (including economic disincentives) amount to about 65 cents for every dollar collected. Other studies, which subtract disincentives and examine only direct outlays by taxpayers to comply with estate tax law, put the compliance cost at about 31 cents per dollar. This additional cost means that the $27.8 billion collected in federal death taxes last year actually cost taxpayers $36.4 billion.

Mr. CRANE. Mr. Speaker, I would now yield to our distinguished colleague, the gentleman from Arizona (Mr. HAYWORTH), a member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague, the gentleman from Illinois (Mr. CRANE), the distinguished chairman of the Subcommittee on Trade of the Committee on Ways and Means here in the House of Representatives.

Mr. Speaker, later this week we will come to this floor to vote on putting at long last the death tax to death, and we will be offered a clear choice. Some in this chamber will embrace the politics of envy, but, Mr. Speaker, I believe a bipartisan majority will embrace the principles of fairness, hope and opportunity, for that is what we seek.

As my good friend from Illinois just pointed out, there is no tax more unfair than this death tax. Stop and think about it. Think back to the very foundations of our Nation, to one of our founders, Benjamin Franklin, who had a gifted and diverse career, who indeed won much public acclaim and a fair amount of his fortune as a social commentator in Poor Richard's Almanac when he observed, ''There are only two certainties in life, death and taxes.'' But even Dr. Franklin, with all his wisdom, with his ability to seemingly see into the future, not even a person as impressive as Dr. Franklin do I believe would realize that one day the constitutional republic that he helped to found would literally tax its citizens upon the day of their death.

The rallying cry is simple, my colleagues. The American people instinctively understand it. No taxation without respiration. And here is why. This vast Federal Government, accumulating revenue in much the same way as I, before I went on my diet, would go to a buffet line kind of piling it up, searching for it in every nook and cranny, this ravenous Washington bureaucracy seeking revenue, when all is said and done, picks up precisely 1 percent of its revenue through the death tax, and yet three-quarters of that 1 percent is spent badgering widows and children and survivors of those who embraced the American Dream, who built up small businesses, who fed and clothed Americans on farms and ranches.

Indeed, my colleagues, perhaps nowhere is it more dramatic a dilemma than on the family farm or on the family ranch across the width and breadth of our great Nation. This is a classic dilemma. Those who have the family farm could be accurately called cash poor and land rich. When there is a death, it is quite simple, Uncle Sam comes to the survivors and says, here is an expensive tax bill, pay it. How then is it paid? Well, the family farm is sold.

And one of my friends who chooses to embrace the politics of envy, who preceded me in this well, claimed there were no statistics to offer on this. Well, I know that there are those who long for the soul of the accountant in all of these transactions, but I do not want to besmirch the profession of accountancy. I simply want to point out that especially my colleagues from suburban and urban districts might be compelled to realize that there is life outside the major metropolises; that power does not come from a light switch; that milk does not come from the corner market; that America's farmers provide these things, and the death tax absolutely pummels rural communities and family farms and ranches.

We feel that acutely in the Sixth Congressional District of Arizona, a district in square mileage almost the size of the Commonwealth of Pennsylvania, from the small hamlet of Franklin in Southern Greenlee County, north to Four Corners, west to Flagstaff, and south again to Florence, really all the way south to San Manuel, site of the largest underground mine in North America. Hard working people who play by the rules and a multitude of small towns are ravaged by this death tax. Because those who have spent their time building businesses, who helped provide for the farmers and ranchers, are forced to sell those businesses.

Perhaps my colleagues have seen it in their communities. Perhaps those in larger cities would see it if they could take off their blinders and resist for a time the politics of envy. Perhaps they too could realize that, yes, more often than not, when a family loses control of a business, there is a reassessment and, yes, long-time valued employees are let go. Under new management often means faithful employees are out the door.

And even as we champion new economic opportunities, why add to uncertainty? What crime have these families committed that would prompt the Federal Government to say to them, ''Sell your business; pay Uncle Sam.'' They have committed to crime. But under our curiously misguided Tax Code, as it stands today, they have committed an offense in the eyes of those who always embrace the radical redistribution of wealth. Mr. Speaker, those folks worked hard and succeeded and they are being punished for succeeding. And it is wrong and it has cost America too many family farms, too many family ranches, and too many small businesses.

No matter the platitudes of the left and those who preach the politics of envy, it is common sense, Mr. Speaker. Across the width and breadth of the Sixth Congressional District I have held many town meetings. My colleagues who join me tonight will attest to the fact that there is no greater thrill than meeting with constituents and listening to what is on their minds. And how many times have I heard the story of a family ranch being sold to satisfy the tax man.

Indeed, Mr. Speaker, we hear these stories even as we return to this capitol, ofttimes referred to as the crossroads of America because we meet so many people from so many other places. A gentleman stopped me just last night, told me the story of his 83-year-old mother who, some years ago, upon the death of his father, was told by the Washington bureaucrats, ''You have a tax bill of over $800,000. We don't care how you pay it, you just pay it.'' And, just like that, the family business was gone, Mr. Speaker.

Now, some of my friends in accounting might say, oh, that lady had the assets to sit down with a tax attorney or an accountant. Certainly she could have provided some sort of means to hold on to the family business. She is to blame for not doing so. No, Mr. Speaker. No, the blame is not on that lady in her 80s, now forced to subsist on Social Security. The fault lies in a Tax Code that punishes people for succeeding, that deprives other Americans of jobs, that inhibits the very free market principles and the notion of rewarding ambition and success and prosperity upon which this country was built and upon which this country can prosper. But we can change that this Friday when we put this death tax to death.

I mentioned a second ago, Mr. Speaker, town hall meetings. Another thrill we have, those of us who are honored to serve in the Congress of the United States, comes on those occasions when we are able to appoint young men and women to our military academies. I was in Winslow, Arizona, where two young men who aspired to attend one of those military academies received permission from their high school principal to leave during the lunch hour and join us at city hall for a town hall meeting. And there in Winslow, Arizona, the farmers, the ranchers, and the small business people were lamenting this death tax. And one of those young men, just really the epitome of all that is good in young people wanting to serve their country, one of those young men stood ramrod straight and said, ''Congressman, sir, do you mean to tell me the Federal Government taxes you when you die?''

Now, initially, there was laughter among the older members of that audience in that town hall meeting. But then, upon further reflection, my constituents decided that really was not funny; that it epitomized just what was so unfair, just what was so unjust, just what was so unproductive about continuing to punish people for succeeding and trying to pass on their businesses, their dreams, to their heirs.

Now, again, my colleagues, we have a choice. There will be those who continue to propagate the fiction that we should rely on the politics of envy, but a bipartisan majority will emerge this Friday saying we embrace the policies of hope. And the first step we take to do that is to put this unfair, unjust death tax to death.

Mr. Speaker, I yield back to my colleague from Illinois.

Mr. CRANE. Mr. Speaker, I congratulate our colleague for his insightful observations on this immoral Tax Code that we are speaking about tonight. And I now would like to yield to our distinguished colleague, the gentleman from Montana (Mr. HILL).

Mr. HILL of Montana. Mr. Speaker, I thank the gentleman for yielding to me tonight to join with him and others to talk about the repeal and the elimination of the death tax.

As the gentleman knows, the strength of our Nation's economy rests in its small businesses, small farms, and small ranches. That is where new jobs are created. That is where the economic vitality of this country is. I am proud of the fact that I represent, I think, the largest constituency of small businesses, over 25,000 small businesses in my district, over 40,000 farms and ranches.

One of the characteristics of every one of these businesses is that the owners plow almost all the cash flow that they generate, almost all the dollars they earn back into those enterprises and those businesses. Early on, it is usually to pay off the debt that it takes in order to get started in that business. Then, later on, they will use that money to add to inventory or to add new equipment or machinery to expand the business and to make it grow or to put new people to work.

Now, these family farmers and these family ranchers and these small business owners usually make very little. In the case of the farmers and ranchers, they will accumulate a thousand acres or so, perhaps, and 100 critters or so, but they have relatively little cash flow to show for it. They often have little to show for it. Almost always they have no savings account, no retirement account. Sometimes they will have an old pickup truck or an old car or an old farm vehicle.

□ 2100

As my colleague the gentleman from Arizona (Mr. HAYWORTH) said, these people become asset rich and cash poor. But eventually for all of us retirement comes, and it is at this point that these folks have a really big problem. Because they have little in savings and little in retirement, the only thing they can rely upon is the asset, the farm or the ranch or the small business that they accumulated. So, in order to retire, they usually have to sell this business or part of this business to their kids or to other people.

Now, until the Republican Congress reduced the capital gains tax, if we added the Federal tax and the State tax together, that owner of that business had to give a third of whatever they got for that business in taxes. But that was not the whole story. If they sold that business to their kids, their kids would have to pay 40 percent income tax on those payments, as well.

So, in order to transfer that family farmer business, if they sold it to their kids, they would have to pay 70 to 80 percent taxes on that transaction. Very few businesses could generate that kind of income.

We reduced the capital gains tax, and now it is down perhaps with State and local tax to 25 percent. But if they sell part of this business to retire to have some cash flow and leave the rest of it to their kids, they are going to pay 60 percent tax on what they sell to them and 56 percent tax on what they give to them.

Now, if they can possibly generate the money that is necessary to pay those kinds of taxes, what it means is there are no dollars to modernize that business to cause that business to grow and to expand; and the result of that is that the lion's share of those businesses fail because of the huge debt that they have to take on because of estate tax.

Virtually every farm group in this country, virtually every advocate for small business in this country will tell us that the greatest threat to these family enterprises, farms and ranches and small businesses, is the death tax. It is not low commodity prices. It is not competition. It is this unfair tax. Farmers and ranchers just simply cannot generate the cash flow they need to create a living for the people that work and operate that farm or ranch or business and to pay this tax.

So what ends up happening as an alternative? Well, what ends up happening as an alternative is they will sell out to celebrities, for example, in my State. Ranch after ranch are being bought by Hollywood types or people who have earned their income from somewhere else who buy their ranches or farms for recreation. The result of that is that they are no longer productive farms and ranches, they no longer add to the vitality of these small rural communities, and it is destroying the economy of these rural communities.

Worse yet, many times the farmer or the rancher will subdivide the land, divide it into 20- or 30- or 40-acre parcels, and sell one parcel or two parcels a year to generate enough money to retire on. In the end, they replace a ranch with a bunch of ranchettes. What happens then is we lose all the wildlife habitat, we lose the open spaces and the greenbelts that so many people advocate for in this Congress.

Now, the sad thing about all this is that the very wealthy do not pay this tax. They use trusts, family trusts and charitable trusts, and all kinds of mechanisms to avoid paying these taxes for generation after generation. They avoid this tax.

But, my colleagues, 40 percent of the death taxes that are collected by this Government are collected on estates of less than a million. These are estates where there are family enterprises. They are the ones that pay this tax.

It is not a fair tax. It is not good for our economy. It is not good for our environment. It is eliminating green spaces and greenbelts. It is destroying the economy of rural America. It is eliminating the visual relief that so many of our city dwellers want to see when they pass into the farm country. But passing this bill to repeal the death tax, the Death Tax Elimination Act is essential for keeping agriculture and families, for maintaining these family farms and these family ranches, and to continue these family businesses.

I am proud to be a cosponsor of H.R. 8. On Friday I know we are going to have a strong bipartisan vote. I am confident the Senate will pass it and the President will sign it. I urge my colleagues to support the bill.

Mr. CRANE. Mr. Speaker, I yield to our distinguished colleague, the gentleman from Nebraska (Mr. TERRY).

Mr. TERRY. Mr. Speaker, I rise in support of the efforts that we are going to do for American families this week and eliminate the unfair death tax.

Some of us like to talk about this issue in terms of numbers and percentages and policy. And really what this does is it protects our families. This is a family bill, but let us talk about it in the sense of overall policy. And that is that, in my generation, we have done well in either running the family business or even starting our own; and our fathers, the greatest generation, have done well, as well.

So we have to figure out, in continuing prosperity and trying to widen and deepen prosperity so it touches even more, if we are going to continue policies of the Government usurping and taking money out of the private sector and, therefore, stalling or risking future prosperity for our children, then that is one policy we can take as this next generation transfers their assets to the next generation.

Or we can do the right thing and allow that money to transfer to the next generation, where it will be put back into the economy, where it will be spent to expand, to recapitalize the family businesses. Or, God forbid, they spend it on other things and continue to stimulate our economy and ensure prosperity for our children when they graduate from school that they will have opportunities for good jobs.

But we can talk about it in the policy sense and how it is the right thing to do. But what I want to do is just talk about the impact on the families in Nebraska, because I am here to fight for those families. Because what this does, when we eliminate the death tax, what we are, in essence, doing is protecting the culture, the history and the heritage of families.

Yesterday in our office we had the Farm Wives Association. What was their number one issue? It was elimination of the death tax. They want to try to pass their family farm, many of which their grandfathers staked out, they want to pass it to their sons and their daughters. But they cannot.

The average farm size in Nebraska is about 840 acres. That is well over the limit before we even get to the machinery and the value that the IRS would place on that business. But it is a cash poor business. They have no choice but to sell that farm instead of passing it to the next generation. They have to sell it to pay their IRS tax bills. They have to. They have no other choice.

So, as we are talking about protecting the history and the culture of our small family farmer, it is our IRS policy that is forcing the consolidation. It is these families that are selling out to the Ted Turners who own tens of thousands of acres in Nebraska.

But let us talk about in Omaha, Nebraska, where I was born and raised. Let us talk about the Omaha Printing Company, a third-generation company. It is a small business. They employ about 30 or 40 folks. Yet, they have several really impressive machines when I took the tour of it, and each of those machines run well over $500,000 to $600,000. They have three of them right there that is putting them to the limit before we get to all the other assets of that business and the valuation.

The father that is currently operating that business is going to have a choice to make. Sure, they have paid the lawyers and the accountants to try to comply with this tax code and trying to pass it to the next generation, but they are realizing that they are probably going to have to spend about 40 percent to 50 percent of the assets of that business to try and keep it in the family.

What about in south Omaha, the great and colorful cultural area of our town, with the Jocobo's grocery store and tortilla plant. They have got a couple of taco shell and tortilla shell machines in the back, just a couple of them. But the value of their inventory and the value of the machines itself puts them over before we get to the valuation. And Carlos, who is in his early 40s and has a young family that he would like to pass the grocery store on to, he may not have that opportunity.

Mr. Jocobo emigrated from Mexico several years ago, 40 years ago, and established a small south Omaha business. It is really the center and the hub of this colorful Hispanic community that is so vibrant in south Omaha.

I just hope that we do the right thing, Mr. Speaker, for that Hispanic owned grocery store and small business in a colorful part of my district. We have an historic opportunity to protect, to work, and fight for families and their history and their culture. Let us not miss this opportunity.

Mr. CRANE. I now yield, Mr. Speaker, to our distinguished colleague from California (Mr. BILBRAY). I was going to say Australia.

Mr. BILBRAY. Mr. Speaker, I thank the gentleman very much for yielding.

For the record, my mother is from Australia, but she is an American who is from Australia.

Mr. Speaker, I just wanted to sort of echo the issue that when we talk about the death tax, I think too often we talk about the families that have to give up their businesses and give up their homes and their farms and the way that it breaks up the hard work and the sweat of parents, their ability to pass it on to their children, but I think that we do not talk about the bigger picture.

I want to articulate something. The fight against the death tax should not be a fight for the taxpayer. It should not even be for the small farmer or the small business owner. The fight against the death tax should be a fight for a civilized, decent society, and that is it.

Now, my colleagues may say how can I tie the death tax to the concept of decency? Well, Mr. Speaker, I always try to think about what will history say about us as a society.

There is this movie out ''The Gladiator'' about this great civilization called Rome. But how can they be a great civilization when they had the kind of blood letting they had? And history has damned the Romans for that.

What I worry about is what will history say of the greatest nation in the history of the world, the United States of America? What will they say about us a thousand years from now? And will they say about us, oh, they were a great nation, but they taxed their dead? How are we going to justify ourselves to history?

Now, there is a bigger picture here that I think we have got to address, and that is the fact that this tax does not just impact individuals and businesses but it is impacting us as a society.

I think those of us on the Republican and the Democratic side will say one of the biggest concerns we have is watching multinational corporations come into the United States and absorb and digest and consume small entrepreneurial family businesses such as farms and businesses. And we will hear those on both sides of the aisle talk about how multinational corporations are getting so big and they are basically getting the monopoly because the little guy is being gobbled up. And it is right.

The true defender of the consumer is not government. The true enemy of big business is not big government. It is little business that competes and gives the consumer an alternative than the big business corporations and the multinational corporations that we hear our liberal friends always yelling about. But our tax laws, my colleagues, are subsidizing and encouraging and at many times mandating the selling out of small entrepreneurial businesses to the multinational corporations.

I will give my colleagues one example. Roll Construction in San Diego is a family-built construction business and they have come to the conclusion that when mom dies, the only way for them to be able to pay the death tax is to sell out to a major multinational corporation.

□ 2115

This is what it really comes down to. Are we for the little guy? Are we truly for the taxpayer? Are we truly for the American? Or are we so hell-bent to get our pound of flesh that we are willing to not only tax the dead, sell the farm, sell the business, but also subsidize the big corporate interests? That is something that we do not hear a lot of talk about here. I think that we need to talk about it. Because I think that we have got to understand that this will not only impact and help the corporate but when the consumer is looking for competition, when the consumer needs the break, the consumer will not have the little entrepreneurial business to be able to beat the big guy because he is not going to be around because the United States government has taxed them into nonexistence. And so I think that when we talk about the death tax, I want to ask our colleagues on both sides of the aisle, think about what you really care about. And if you are so hell-bent to try to get the rich guy, remember what happened in 1898 when this government said we are going to get the rich guy by taxing the rich guy's phones because everyone knows that the little guy and the working class does not have phones. History has proved this year, we realized what a huge mistake that politics of envy and of hate generate in the tax code. The working class got nailed the worst of anybody proportionately.

Remember in the early 1990s when they said we are going to tax the rich and get their boats because that is a luxury by the rich. Who got hurt? Who got hurt was the working class that were building those boats. They were out of work. The business left the country. I think we all remember the concept of the income tax was to really tax those who made about $800,000 in today's dollars. It was only going to be 1 percent. Who would care? We are only taxing the rich. I think every working-class family today now realizes what goes around comes around.

Mr. Speaker, I just think that we have got to say if we believe in capitalism, if we believe in a free economy, if we believe in government not subsidizing major world corporations, if we believe in the fact that the family unit has the right to serve a community as a family unit, as a business and a farm, then the death tax has to go.

I will close with one last example. There is a Latino family in my district whose father immigrated here back in the 1950s, who has raised a family and the sisters and the brothers and the mother and the father and the uncles work in that print shop. They have grown their business in printing. The fact is, though, they came to me and said, ''If anything happens to mom and dad, we have to sell out.'' Who will they sell out to? To the people who have the money to buy them out, the big corporate interests that do not want to see those small entrepreneurial immigrants competing with them. I would just ask us to consider that and let us not talk about and cry about the fact that big companies are getting bigger unless you are willing to stand up and say, okay, there are some things we cannot control in the private sector but this is one we can. Government, for God sakes, quit subsidizing the major national corporations and start it here first by not forcing small family businesses to sell out to them. We hear a lot of talk about that, about not subsidizing corporate business, on both sides of the aisle. That should be right. But the death tax is the major force of making them sell out. You can see every study in the world what breaks the back of the family business.

So I ask my colleagues a thousand years from now, what will historians say about this Congress and this society and this Nation? Will they say that we taxed the dead and taxed their citizens to death or will they say they recognized the wrong, they recognized the injustice, they recognized the immorality of their tax code and they did the right thing and killed the death tax.

Mr. CRANE. I commend my distinguished colleague from California.

Mr. Speaker, I yield to the distinguished gentleman from Tennessee (Mr. DUNCAN).

Mr. DUNCAN. I want to first of all to say that I rise in very strong support of this legislation to eliminate the death taxes in this country. This is something that I have cosponsored for several years. I want to thank the gentleman from Illinois for yielding. First of all I want to commend him for putting together this very important special order and for leading the charge in this battle as he has on so many other things over the years in this Congress.

I first got to know the gentleman from Illinois (Mr. CRANE) when he came to speak to a very small group of conservative students at the University of Tennessee in 1966. Then I think it was about 1972, I had him come speak to the George Washington University Law School to a packed audience. I think he put those students into shock because with the lack of true academic freedom that we have on the college campuses in this country, many of those students at George Washington Law School had never really heard a truly conservative speaker such as the gentleman from Illinois. I am proud to call him a friend. I think he is one of the finest men that I have ever known in my life.

Mr. Speaker, let me just say that today, and many people do not realize this, the average person pays almost 40 percent of his or her income in taxes of all types, State, Federal and local, sales, property, income, gas, excise, Social Security, all of the other types of taxes, and the estate or death taxes. Then it is estimated that consumers pay another 10 percent in regulatory costs that are passed on to the consumer in the form of higher prices. A

Member of the other body our good friend Senator THOMPSON from Tennessee, I remember a couple of years ago he had ads on television which said today one spouse works to support the family while the other spouse has to work to support the government. There are some of us in this Congress, in fact many of us in this Congress and I think an even greater majority across the country that think that basically half of the average family's income going to support government is not only enough, it is far, far too much. This legislation to eliminate the death tax I am told will put over $20 billion back into the pockets of average Americans. It probably, as the gentleman from California (Mr. BILBRAY) has just pointed out, is the most important single thing that we can do to help small business and to help small family farmers in this country.

It has been a regular thing since World War II to have White House conferences on small business. In almost every one of those conferences, the number one or number two issue for these small businesses has been the effort to try to eliminate the estate or death taxes. It has been I think one of the very top issues for the American Farm Federation and other farm organizations. It is something that is long, long overdue. The gentleman from Pennsylvania (Mr. PETERSON) told me that it takes $12 billion just to collect this tax. And so the government really does not make that much but it takes a lot of money away from families and small businesses in this country. As the gentleman from California did such a great job just a few minutes ago pointing out, this is probably the best thing that we could do to help small business, if we all decry the fact and worry and show concern about the fact that every industry seems to be going to the big giants, the big keep getting bigger and the small keep going by the wayside because they cannot survive, they have to merge and they have to keep growing and get bigger and bigger to survive or merge or sell out. And so if somebody wants to really help the big giants in almost every industry and if you want to help, as the gentleman from California said, the big multinational corporations, probably one of the best things you could do is support keeping these death taxes in effect. But if you want to see family farms survive and if you want to see small businesses survive, then you will support this legislation to eliminate these death taxes that I think we will have on the floor on Friday.

I remember several years ago, quite a few years ago I went with a friend to see the University of Tennessee play Georgia in a football game. We were in Atlanta and had breakfast with these two accountants who specialized in buying businesses. They told us that most of the businesses they bought, they bought from second-generation owners because they said it was hard to buy from a first-generation owner because the business was usually that person's dream. But they said that if they ever found a business that was in a third-generation ownership, they thought they had hit the jackpot. But they told us, do you realize how rare it is, how extremely unusual it is that a business makes it into the third generation of ownership? And I think one of the main reasons that so few businesses make it into the third generation of ownership is because of these death or estate taxes that have forced so many families to sell out to bigger businesses or bigger corporations.

We started several years ago when control of this Congress changed trying to bring Federal spending and the Federal Government under a little bit of control. The first 6 years I was in this Congress, we were just routinely voting 12, 15, 18 percent increases for every department and agency out there. Mr. Speaker, to show how bad it had gotten, Alice Rivlin who was the President's head of the OMB and is now in the Federal Reserve put out a memo that said if we did not make some changes, this was a few months after President Clinton came in, we were going to have yearly deficits or yearly losses of over $1 trillion a year by the year 2010 and between 4 and $5 trillion a year by the year 2030. If we had sat around and allowed that to happen, I think everybody knew the whole economy would crash. Since the control of the Congress changed, we at least have brought Federal spending under some type of control so it is basically just rising at the rate of inflation. But we have not cut nearly as much, and we really have not cut at all like some people think. About 3 months ago, Robert Samuelson in Newsweek wrote a column, and he is not considered to be a conservative columnist at all, he wrote a column and he said, ''Government is slowly getting bigger because paradoxically we think it is getting smaller.'' That is what Robert Samuelson wrote in Newsweek about 3 months ago. ''Government is slowly getting bigger because paradoxically we think it is getting smaller.'' Government keeps getting bigger and taking more and more from the people of this country and there are many of us who think that the average person in this country knows better how to spend his or her own money than Federal bureaucrats in Washington know how to spend it for them. That is the philosophy behind this legislation to eliminate the death taxes. There is very little legislation that can do more to help the economy and to help small business and small family farms and to give a little money back to the people of this country so that they can use it on their own families rather than have the Federal Government just continue to waste it and waste it and waste it. I rise in strong support of this legislation.

Mr. CRANE. I thank the gentleman for his kind remarks. I would remind colleagues I had the distinct privilege of serving with his father who was also our chairman of the Committee on Ways and Means. We are all honored that the gentleman has had the opportunity to succeed his father and represent the good folks down in Tennessee.

Mr. Speaker, I yield to the distinguished gentleman from Tennessee (Mr. WAMP).

Mr. WAMP. I thank the gentleman for yielding very much. I did not intend to come to the floor and speak tonight but I was watching this discussion on television and decided to come and share just a couple of points I think that are important. About 3 years ago, we passed the Balanced Budget Act of 1997. It had a lot of good things in it and a few bad things in it. As we oftentimes have to do, you have to weigh the good versus the bad and make a judgment call. I think a lot of good came out of that. But very few people out there realize that at the very last minute of the negotiations of the Balanced Budget Act of 1997, which really have set in place the framework of the balanced budget and the spending caps that have kept the budget balanced and I think stimulated the markets and given investors confidence and helped this economy thrive over these last 3 years, but at the very last minute, one of the biggest disappointments that I have had in the last 6 years that I have been here was that they changed their plans with respect to the elimination of the death tax or the lifting of the exemption of the death tax, because the negotiations centered around doubling the exemption back in 1997 for the estate tax, the death tax so that when people die, a certain percentage of what they have is not taxable.

□ 2130

And it was a great disappointment at the 11th hour back in 1997 when, instead of doubling the exemption for the death tax, they came back and put just an annual index on it. So it gradually goes up.

That was a big disappointment, because back home in Tennessee, where I live and spend time with my family and the people that I represent, there are a lot of stories about regular people, hard-working small business people that are affected by this unfair tax at death, where the taxman comes, when a family member dies, and asks for the money very soon after death, within 6 months, and you have to pay up. You have to find the money to pay up.

In Washington, we went through an appropriation's markup today. There is a lot of rhetoric from the other side of the aisle about this whole tax proposal to eliminate the death tax over time and to raise the exemptions and to give death tax relief to small business people and individuals out there.

There is a lot of talk that this is a tax plan for the top 1/10 of 1 percent of the wealthiest Americans. Let me tell you what my experience is: This is all about doing what is fair for people in this country. Some of them, yeah, they were in business. Some of them are family farmers, but a lot of them are just grassroots small business people that find themselves in a position that they have to pay the taxman when maybe their parent passes away.

I just want to tell a story, without naming names, about a young man, a young family in my Sunday School class at Red Bank Baptist in Chattanooga, Tennessee. This young man is in business with his father. He lost his mother just a few years ago. When his mother passed away, he analyzed the situation being in business with his father, because it really hit him like a ton of bricks that he needed to have some tax professionals look at his situation. He found that if something were to happen to his father, he would owe the taxman large sums of money and, effectively, be forced to sell his business.

Now, this is not some kind of big business. Let me tell you. This is small business. I am talking about old buildings. I am talking about a lot of maintenance. I am talking about very few employees, less than 10. I am talking about a very small family business, yet, over time, they built up enough momentum and enough assets that at death this individual, if his father passed on, would have an enormous and immediate tax bite.

Frankly, all that money that has been generated for this family business over this generation has already been taxed, yet, the government in this country at a time where we have a budget surplus, where we do have a good economy and consumer confidence, this is the time where WE say what are the most unfair taxes and let us eliminate them; what are the taxes that will give the most economic stimulus, and let us cut them.

This is a time where you can return some of the money to the people that pull the wagon in this country, and that is what I found. My friend needs this tax relief. He is not wealthy. He needs this tax relief so if something happens to his father, he is not forced to sell that business.

We have to have some generational equity in this country again, where families work and invest and hand down and pass down the fruits of their labor. We cannot have let us take it all out, we have to have, you know, a culture that says let us invest and save and pass down. That is the American dream. This legislation will shore up that American dream.

In closing, let me say this, our free enterprise system is what people in Eastern Europe and the Soviet Union were willing to risk their lives to have. We run all over it. We take it for granted. We mistreat it. We overtax it. We overregulate it. We overlitigate it. It is the goose that lays the golden egg of American opportunity, and that is our free enterprise system.

It is precious. This piece of legislation is the next great example of the difference between the two approaches of whether we hold up profit as a good word and the free enterprise system as really the anchor of our society. The free enterprise system; yes, you can go into business in this country; yes, you can make a profit. Greed is a bad word. Profit is a good word.

Let us quit treating profit like it is a bad word. The free enterprise system is what the other folks want to have. Let us treat it fairly. Let us give it what it needs. Let us treat these small business people with dignity, and let us lift this estate tax exemption as much as we can. I would say over time, let us just wipe it out, but let us take this next first step on Friday, and let us not let the demagogues win.

This is not about tax breaks for the wealthy. This is about working people that pay the taxes that pull the wagon, and we have to give them some help and get the government off their backs.

Mr. Speaker, I thank the gentleman from Illinois (Mr. CRANE) for everything he has done over the years in this institution in the Committee on Ways and Means. I appreciate what he has done for the free enterprise system in this country. I wish him all the best. I am proud of him for what he has done in his personal life. It is outstanding. I appreciate the opportunity.

Mr. CRANE. Mr. Speaker, I thank the gentleman from Tennessee (Mr. WAMP). I deeply appreciate his comments.

Mr. Speaker, I yield to our distinguished colleague, the gentleman from Pennsylvania (Mr. PETERSON).

Mr. PETERSON of Pennsylvania. Mr. Speaker, I thank the gentleman from Illinois (Mr. CRANE), the chairman, for putting this together tonight and for bringing this issue to this Congress.

I guess a year or two ago, we heard the demagogues say that the capital gains tax did not need to be cut; that it was going to cost necessary revenues for this country to run off. It was going to cause all kinds of economic chaos.

What happened when we cut the capital gains tax from 28 percent to 20 percent? It released capital. People began to sell properties and sell stocks and sell things that they paid capital gains on, because that 28 percent tax had been reduced to 20 percent. They were willing to pay 20 percent where they were not willing to pay 28 percent.

What happened the first year? $38 billion of additional revenue came into the Federal Government. It did not cost to cut that tax. I think if we would have cut it to 15 percent last year as we talked, we probably would have increased revenues again. We certainly would have helped the growth of business.

Today and this week we are going to be dealing with the death tax, the estate tax. We are going to hear the same arguments, we heard it tonight, that it is about billionaires. It is not about billionaires. It is about small business, small farmers, small sawmills, small manufacturers, supermarket operators, locally-owned ones, locally-owned hardware stores, the people that are in our communities that serve on our borough councils, that serve on our local advisory boards, that serve in the recreations commission that give back to their community.

It is not corporate America. It is the local business people. We heard that it was about billionaires. Well, here are the numbers. 53 percent are 1 million or less, 39 percent are 1 million to 2½ million, 7 percent from 2½ million to 5 million, and 3.7 percent of the cases are over 5 million.

You do not have to have a very big business today to have a couple million dollar business. You can have 4 machines in a building, a couple of trucks and some other office equipment, and you have a several million dollar business. Let us say it is a family business and the children are involved. Oftentimes, the children helped grow the business.

It was a partnership between fathers and sons and mothers and daughters, and as they made this business grow and the parents passed on, the only way they could protect themselves was to spend a lot of capital and buy insurance to pay the taxes, and some do that. It takes money that they might need to buy another machine to expand to grow the business.

This tax is not about large corporations. The public-held corporations do not pay this tax. And where is the future of America? The future of America is small business. The strength and growth of our economy has been new businesses. The record of new businesses is not always real good. Indirectly small business owners, the major producers of most new jobs are forced to hire fewer workers than they desire because of the high capital costs associated with death taxes.

Likewise, with death of a small business owner, many employees lose their jobs when relatives of the deceased owners are forced to liquidate the business to pay the death taxes. This occurrence is not rare; 70 percent of all businesses never make it past the first generation. 87 percent do not make it to the third generation, and only 1 percent make it to the fourth generation. One of the major reasons for this phenomenon appears to be the death tax.

A recent survey conducted by Prince & Associates demonstrated that 90 percent of successors to family-owned businesses that were forced to liquidate within 3 years of the original owner's death claiming that paying death taxes was one of the major culprits of the company's demise.

Now, when you stop and look at our individual communities, the backbone of our communities are not the national corporations, though we are fortunate if we have a plant there, or if they have businesses there, but the real strength of our communities are the local entrepreneurs, the local businesses, the local sawmill, the local hardware store, people who have lived their life there, who are vitally a part of that community.

Yes, one third of small business owners today will have to sell or liquidate part of their business to pay estate taxes. Half of those who liquidate to pay death taxes will have to eliminate 30 or more jobs. So if we want job growth, this is a tax that prohibits businesses from continuing the growth cycle they are on. Mr. Speaker, maybe they were a business that had two restaurants and were ready to go to number three, and one of the parents die, and suddenly they have to sell one of the restaurants to pay the death taxes.

They stop the growth cycle whenever they were going to go to restaurant number 4 or restaurant number 5, or they were going to add machine number 5 or machine number 6 that would have employed three more people, one more for each shift, and more people for the office and more people to truck the goods in and out.

It is a tax that makes no economic sense. It is also one that is not easy to collect. It costs considerable. It is 65 percent of the tax, 65 percent of the tax that is collected is costs of collection. That is not a very efficient tax. And when you want less of something, tax it heavily.

When you tax something 37 percent to 55 percent, you are going to have a whole lot less of it, and that is what we are doing to successful businesses in this country. We are taxing them 37 percent to 55 percent when they want to transfer that business from the parents at their death to the children. There is nothing right about that.

A study by George Mason University Professor Richard Wagner showed that eliminating the death tax would have a substantial impact on lowering the costs of capital and thus increase the health of the economy. Wagner found that within 8 years of eliminating the death tax, the gross domestic product would be $80 billion larger than expected, resulting in the creation of 250,000 additional jobs and $640 billion larger capital stock.

Ladies and gentlemen, cutting this tax will not lose revenue for this country. In the long run, it will be a stimulus to our country. It will help the small businesses who are competing with the large corporate entities of this world. The future lies with the Bill Gates' of the future who may start in their garage, who may start in a little warehouse someplace in the corner of it and start to grow a new business, providing new service, with a new concept, a new idea, and when suddenly that generation passes on, the next generation can continue.

Yes, even liberals support this. A University of Southern California Law Professor Edward McCaffrey, a self-described liberal, stated in testimony before the Senate Committee on Finance recently, the death tax discourages behavior that a liberal democratic society ought to like. It discourages work. It discourages savings. It discourages bequests, and it encourages behavior that such a society ought to suspect, the large scale consumption, leisure, giving of the very rich. It is a tax on working and savings without consumption. It is a tax on thrift, on long-term savings.

There is no reason, even a liberal populace supports it. The current gift and estate tax does not work. It is a deep tension with liberal ideals and lacks strong popular or political support; that is from a liberal.

Ladies and gentlemen, it is time for us to do away with the death tax. It will have a positive economic impact on the future growth of America. It will grow new jobs. It will inspire our economy to grow, and it is time we eliminate it.

□ 2145

Mr. CRANE. Mr. Speaker, I thank my distinguished colleague for his remarks. In conclusion, I would simply like to pay tribute to our colleagues, the gentlewoman from Washington (Ms. DUNN) and the gentleman from Tennessee (Mr. TANNER) who are cosponsors of H.R. 8. It has had bipartisan cosponsorship from the outset, and I look forward to good, strong bipartisan support on Friday when we finally eliminate this obscene component of our Tax Code.

CONCERNS OVER SOCIAL SECURITY CHANGES PROPOSED BY GOVERNOR BUSH

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, this evening I would like to discuss my concerns over the changes in Social Security that have been proposed by Governor Bush of Texas.

Mr. Speaker, as we know, Social Security has lifted millions of seniors out of poverty. It is by far the most successful economic program ever passed by Congress, and the reason for its success is simple. It offers a guaranteed benefit for every American retiree. More than half of all Americans, especially working families, have no retirement savings beyond Social Security. Without the guaranteed income provided by Social Security, millions of seniors could fall through the cracks, left to live out their lives in poverty.

Recently, Governor Bush proposed a Social Security plan that would undermine Social Security, in my opinion, and simultaneously threaten our thriving economy. By diverting funds from the Social Security Trust Fund to set up individual retirement accounts, Bush's plan would hasten the insolvency of the Social Security Trust Fund and force seniors to question, rather than to count on, their Social Security benefits.

Now, Governor Bush has also proposed a tax cut that would cost an estimated $1.7 billion. When combined with the cost of his individual retirement accounts, Governor Bush's plan would spend more than 3 times the projected surplus over the next 10 years. That money would come directly out of the Social Security Trust Fund, weakening the program even further, and leaving little room in the budget for other priorities like the prescription drug benefit under Medicare and investment in education.

In my opinion, Mr. Speaker, no plan that would endanger the guarantees of Social Security or rob the trust fund and leave other priorities unfunded can possibly be taken seriously, and that is why I think it is important, Mr. Speaker, that Democrats fight this dangerously ill-conceived proposal every step of the way. Myself and other Members on our side of the aisle will be here frequently over the next few weeks and the next few months speaking out against Governor Bush's proposal.

Mr. Speaker, I wanted to discuss some of the major problems that I see associated with replacing part of Social Security with individual accounts the way that Governor Bush has proposed, and I would like to just get into a little more detail about some of these problems this evening.

First, I would point out that individual accounts would mean massive cuts in Social Security benefits. Using a portion of the payroll tax to fund individual accounts would divert vitally important financial resources away from Social Security and would make Social Security's financial shortfall much worse. We know that we are eventually going to have a shortfall in Social Security and we have to find some way of shoring up the fund to make sure that the money is available. Well, what the Bush individual accounts plan does is to basically make the financing shortfall even worse.

For instance, redirecting 2 percentage points of the current payroll tax