PRESIDENT BUSH'S TAX CUT PROPOSAL

Mr. NICKLES. Mr. President, last night President Bush spoke before a joint session of Congress and outlined his agenda in many areas—certainly in education, in preserving and saving Social Security, and Medicare. He challenged Congress. He also made a very strong case for reducing our taxes. He said: We can pay down the debt, we can fund our priorities, pay down the debt to the maximum amount practical—in other words, retire every bond that would mature between now and the year 2010—pay down the debt as much as possible, and we can still give significant tax relief.

Some people said that is not enough. Some people said it is too much. The President said it is about right. I happen to agree with him.

To my colleagues on the Democrat side who responded and said: We would agree to a $900 billion tax cut but we can't go for the $1.6 trillion tax cut—when we talk figures, I think it is important we talk policy and not just figures.

The policy—and the bulk and the essence of what President Bush is pushing for—is reductions in marginal rates, reducing tax rates for taxpayers. Some have said: Wait a minute. This is a greater dollar benefit for higher income people. But the fact is the President's proposal cuts the rates more for lower income people than it does for those people with a higher income level.

Unfortunately, some people, when taxes are discussed, want to play class warfare. They want to rob Peter to pay Paul. They want to use the Tax Code as a method of income redistribution. I do not think we should do that.

If we are going to have a tax cut, I think we should cut taxes for the people who pay the taxes. We have programs where we spend money for the general population, most of that focused on lower income populations. But if you are going to have a tax cut, you should cut taxes for taxpayers. President Bush's proposal does just that.

He has greater percentage tax reductions for those on the lower income scale than he does for those on the higher income scale. Let me just talk about that a little bit.

He takes the 15-percent bracket and moves it to 10 percent for many individuals. That is a 33-percent rate reduction. He reduces other rates. He moves the 28-percent rate to 25 percent. That is 3 percentage points, but that is about a 10- or 11-percent rate reduction. Yes, he moves the maximum rate from 39.6 percent to 33 percent, and that is an 11-percent rate reduction.

Some have said that is too much for the upper income. I point out that that rate, even if we enacted all of President Bush's income tax rate reduction, is still much higher than it was when President Clinton was elected because he raised the maximum rates substantially.

Let me just give a little historical background on what has happened to the maximum rate since I have been in the Senate.

When I was elected to the Senate in 1980, the maximum personal income tax rate was 70 percent. Ronald Reagan and 8 years later, it was 28 percent—a very significant reduction. Some people said that caused enormous deficits. That was not because the rates were cut because, frankly, revenues to the Federal Government doubled in that period of time. So revenues increased dramatically, though we reduced income tax rates from 70 percent to 28 percent.

President Bush, in 1990, agreed with the Democratic-controlled Congress—reluctantly, I believe—but raised the maximum rate from 28 percent to 31 percent, raised it 3 points, about 11 percent.

President Clinton, in 1993, raised the maximum rate from 31 percent to 39.6 percent—its current maximum rate—but he also did a couple of other things that a lot of people tend to forget about. He said: There will be no cap on the amount of Medicare tax that you pay on your income.

At one time, Medicare was taxed on the same basis as Social Security—about $75,000. Now there is no cap. So you pay 2.9 percent. Actually, the employee pays 1.45 percent and the employer matches that. It totals 2.9 percent on all income. If you have a salary like Tiger Woods or Michael Jordan, you pay a lot of Medicare tax—2.9 percent. So you can actually add that 2.9 percent to the maximum tax rate, the 39.6 percent. So that increases to a total of about 42.3 percent.

Then President Clinton did something else. He phased out the deductions and exemptions for people who have incomes above $100,000. We can add another 1 or 2 percentage points on as a result. So President Clinton, in the tax act that passed in 1993 by one vote in both the House and Senate—Vice President Gore broke the tie in the Senate—raised the maximum rate from 31 percent to about 44 percent.

President Bush today is saying, let's reduce the income tax rate down to 33 percent. He didn't take off the increase in the Medicare tax and didn't change the deduction limitation, so actually the net max tax, under the Bush proposal, is about 37.5 percent. Keep in mind, it was 31 percent when Bill Clinton was elected. So after all these reductions that President Bush is talking about, the maximum rate is still about 20 percent higher than it was when President Clinton was elected.

Yes, he has a tax reduction, but he is reducing taxes less than President Clinton increased them. That is the point. Certainly, for upper incomes that is the case. Let me repeat that. President Bush has a tax cut. Some people say it is too much, his tax cut for upper income people. I have heard so much demagoguery and class warfare concerning people who make higher incomes. Their tax rates are much higher today. Assuming we pass all of President Bush's tax cut on income taxes, it is much higher than it was when President Clinton was elected, about 20 percent higher.

You might remember President Clinton, when he had a moment of truthfulness in Texas, admitted that. He said: You might think I raised taxes too much. I agree with you. I did raise taxes too much.

President Bush is saying we need some tax relief. We have enormous surpluses, and we have to decide who is going to spend the surpluses. Are we going to come up with new ways within the Government to spend them? We can. There are unlimited demands on spending public money, somebody else's money, unlimited. That is not too hard for people to figure out. If you ask your kids: Could you spend more money? You bet. You ask your friends: Could you spend more money? You bet. You ask your spouse: Could you spend more money? You bet. If we leave a lot of money on the table here, can we find more ways in Government to spend it? You bet. There are unlimited demands on spending somebody else's money.

We have to do what is fair, what is right. How much is reasonable? We actually have taxation, as a percentage of GNP, at an all-time high. We are taking in a lot more right now than we need to fund the Government. If we leave it on the table, we will find ways to gobble it up. That is what we have done in the last couple years.

Last year nondefense discretionary spending budget authority grew at 14 percent, far in excess of the budget. We didn't abide by the budget last year. Congress was spending money. We will do it again, Heaven help us.

I don't think we will because I believe we are going to have discipline in the budget process this year. Unlike what we have had for the last 8 years, a President who pushed us to spend more—we now have a President who says: Let's show discipline. Instead of having somebody in the White House who is going to be threatening to veto a bill unless we spend more money, we have a person in the White House saying he is going to veto a bill if we don't show some fiscal discipline.

President Bush, instead of saying let's rescind money that is a 14-percent increase, he said, we will even build upon it. We will increase spending with inflation, spending increases of about 4 percent, which is in excess of inflation. He is being pretty generous. He enumerated a lot of ways where he can spend money. He said: We can do all those things. We can pay down the maximum amount of debt allowable, and then we should give some tax relief.

The core of his tax relief is rate reduction. Rate reductions are necessary. I mentioned this because a lot of people aren't aware of how much the Government is taking from them. They should be. If they are in the process of doing their income tax returns, as millions of Americans are this month and next, they will find out. There is a big difference between the gross amount they are paid and the net they receive. The difference, in many cases, is what goes to the Federal Government. It goes to the Federal Government in the form of income taxes, in the form of Social Security taxes and Medicare taxes. The net in many cases is much smaller.

We can get some relief. We should get some relief. We must get some relief. The President's proposal of across-the-board rate reductions is the only fair and the best way to do it.

Some have said we need ''targeted'' tax cuts. Targeted means we are going to define who benefits and who does not. If you spend your money the way we think you should spend it, you will get a tax cut. If you don't, you don't get one. So if you do Government-approved, designed, adopted, favored behavior, we will give you a tax cut. If you don't, you are out of luck. In other words, that is another way of saying we think we can spend your money better than you can. You spend it the way we want you to and we will give you some relief. But if you don't, we are going to spend it.

I happen to disagree with that wholeheartedly. If we are going to give a tax cut, let's not have members of the Finance Committee and the Ways and Means Committee and Members on the floor of the House and Senate saying: We are going to design and direct where the money should go. We should allow individuals to make those decisions. That is what President Bush calls for.

Let me touch on one other issue that has been demagogued unmercifully, and that is the issue of the death tax. Last year we passed a bill to eliminate the death tax. It was slightly different than what President Bush has called for. The President's proposal doesn't cost as much, according to the bean counters in Joint Tax. It costs about $100 billion, $104 billion over 10 years, according to their estimates. Let me talk about that.

A lot of people have said this only goes to the wealthiest people. I disagree. People who make that comment don't understand what makes America run. They don't know there are millions of businesses out there today that are trying to build and grow, and yet they are suffocated with this overall idea that if they pass on, if they die, the Government is going to come in and take half of their business. So they don't grow their business, or else they come up with all kinds of schemes to avoid this tax. There is a tax, a Federal tax called a death tax, an inheritance tax, an estate tax where the Government comes and if you have a taxable estate above $3 million, the Federal Government wants 55 percent, over half.

How in the world can it be fair in this day and age for the Federal Government to come in and say they want half of anybody's property that they worked their entire life on and their kids want to keep the business going and they say you have to sell that business because we want half? That is present law. That needs to be changed. It will be changed, in my opinion.

President Clinton vetoed the bill last year. We put it on his desk. We had overwhelming bipartisan support in the House, and we had a lot of Democrats who supported it in the Senate. We passed it. President Clinton vetoed it. I regret that decision. We have a new President, one who will sign it.

I used to manage a business. We thought about growing it—and we grew it a lot, and we could have done a lot more—but this idea of working really hard with the idea of building it up and making it successful, maybe making it worth more and then having the Government come in and take over half of it was a suffocating proposition. Did we suffer? No. Who really suffered? Our employees who could have had a new business. Maybe the kids who would work for those employees would have had a better income. They might have had more educational opportunities. There would have been growth and opportunity for more people. This tax hurts in so many ways that people just can't even calculate.

Let me touch on what the proposal that we passed last year would do. We replaced the taxable event of death and said: The taxable event should be when the property is sold. Present law is, when somebody dies, they pass the property on to the kids. There is a taxable event. If you have a taxable estate above the deductible amount—right now $675,000—you are at a taxable rate of 37 percent. Anything above that, Uncle Sam wants over a third. At $3 million, the rate is 55 percent. If you have a taxable estate of $10 million, it is 60 percent. Between $10 million and $17 million, it is 60 percent. How could we have a rate at 60 percent? Why is the Government entitled to take 60 percent of something somebody has worked their entire life for? I can't imagine. That is on the law books today. One of the reasons is because people said: Let's just increase the exemption and leave the rates high. We made that mistake. We will not make it again. I hope we don't make it again.

I have heard some people say that as an alternative let's just increase the exemption another million or two. We will exempt people and put more in the zero bracket. If you are still a taxpayer, bingo, you are going to have to pay 55 percent. I disagree. I think that is wrong, unconscionable. Why would you take half of somebody's property because they happen to pass on? Our proposal—what we passed last year—replaced the taxable event of somebody's death and made it a taxable event when the property is sold. So the person who dies doesn't benefit because they are going to Heaven—I hope they are—and they can't take the money with them. But their kids, the beneficiaries, right now have to pay a tax.

Under present law, they may have to sell the farm, the ranch, the business, or the property and assets—they may have to sell half of it just to pay the tax. What we are saying is there is no taxable event when somebody dies. The taxable event would be when they sell the property. If they inherit an ongoing business, a farm, or a ranch, or property, if they keep it, there is no taxable event. When they sell it, guess what? They have the assets to pay the tax, and the tax will be for capital gains. But the tax rate will be 20 percent, not 55 percent or 60 percent. That is fair. It is income that hasn't been taxed before because it is capital gains.

To me, that makes the system work. You tax the property once. You tax a gain that hasn't been taxed before, unlike a death tax. You might pay income on these properties you are building up in a business year after year, and you have paid income tax on it and you put money into it, it appreciates, and right now you get a little stepped-up basis, but, bingo, you have to pay a big tax. Why? Because you die. Sorry, second generation; if you want to keep the company going, if you want to keep the employees, you may have to pay a tax of 55 percent because this business is worth $3 million. That may sound like a lot, but it is not. In some places in Colorado, and others, it might be a development. You may have to sell it just to pay the tax so that Uncle Sam can take half. I think that is wrong. Our proposal is that you don't have a taxable event when somebody dies; it is when the property is sold—when it is sold. That would be on a voluntary sale, when whoever inherited it wanted to sell it, and they would pay a capital gains tax of 20 percent.

We leave the step-up basis alone, or at a lower level. They pay 20 percent on the gain of the property. If the property has been in the family for decades, you may have a significant capital gain. That is only fair because that property hasn't been taxed. I think this system makes sense. I think it would save so much.

I can't imagine the money that has been spent in this country trying to create schemes and, in some cases, scams, and other ways of trying to avoid this unfair tax. So now we would say you would not have to have foundations, you would not have to come up with irrevocable trusts and different games and try to give property around to avoid this tax. You can say, wait a minute, there will be a taxable event when they sell the property. They will then have the liquid resources to be able to pay the tax, and it will be 20 percent. People won't have to go through tax avoidance, and planners, and lawyers, and so on, who are working this system trying to help people avoid this unfair tax.

I mention that, Mr. President, because I think a lot of people have tried to demagog the issue. They have tried to unfairly characterize President Bush's proposal to eliminate this tax. I think what we passed last year was eminently fair. We had the votes last year, and I believe we have the votes this year. I think we will pass it and do a good thing for the economy, the American people, for free enterprise, and for families by eliminating this so-called unfair death tax. We will replace it with a capital gains tax when the property is voluntarily sold.

I am excited about President Bush's economic package. I am excited about his tax proposal. I think at long last taxpayers have a friend in the White House. They haven't had one for the last 8 years. We now have a friend who will give them long overdue relief. I am excited about that, and I expect we will be successful in passing substantial tax relief this year. I look forward to that happening, and I compliment President Bush on his package and his presentation. I tell taxpayers that help is on the way, and hopefully we can make it the law of the land.

Mr. President, I yield the floor and 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. NICKLES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ORDER OF BUSINESS

Mr. NICKLES. Mr. President, for the information of our colleagues, we expect a rollcall vote shortly on one or more nominations to the Treasury Department. One will be John Duncan to be Deputy Under Secretary of the Treasury. There may be additional nominations as well. There will be a rollcall vote ordered in the very near future.

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

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

EXECUTIVE SESSION

NOMINATION OF JOHN M. DUNCAN TO BE DEPUTY UNDER SECRETARY OF THE TREASURY

Mr. NICKLES. Mr. President, I ask unanimous consent that the Senate immediately proceed to executive session to consider the following nomination reported by the Finance Committee today: John M. Duncan to be Deputy Under Secretary of Treasury.

I further ask unanimous consent that the Senate immediately proceed to a vote on the nomination and that, following the vote, the President be immediately notified of the Senate's action and the Senate then return to legislative session.

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

The assistant legislative clerk read the nomination of John M. Duncan, of the District of Columbia, to be Deputy Under Secretary of the Treasury.

Mr. NICKLES. Mr. President, I ask for the yeas and nays on the nomination.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The question is, Will the Senate advise and consent to the nomination of John M. Duncan to be Deputy Under Secretary of the Treasury? The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Nebraska (Mr. HAGEL) and the Senator from Arkansas (Mr. HUTCHINSON) are necessarily absent.

Mr. REID. I announce that the Senator from Delaware (Mr. CARPER), the Senator from South Dakota (Mr. JOHNSON), the Senator from Arkansas (Mrs. LINCOLN), and the Senator from Nebraska (Mr. NELSON) are necessarily absent.

I further announce that, if present and voting, the Senator from Delaware (Mr. CARPER) would vote "aye."

The result was announced—yeas 94, nays 0, as follows:

[Rollcall Vote No. 14 Ex.]

YEAS—94

Akaka	Campbell	Dodd
Allard	Cantwell	Domenici
Allen	Carnahan	Dorgan
Baucus	Chafee	Durbin
Bayh	Cleland	Edwards
Bennett	Clinton	Ensign
Biden	Cochran	Enzi
Bingaman	Collins	Feingold
Bond	Conrad	Feinstein
Boxer	Corzine	Fitzgerald
Breaux	Craig	Frist
Brownback	Crapo	Graham
Bunning	Daschle	Gramm
Burns	Dayton	Grassley
Byrd	DeWine	Gregg
Harkin	Lugar	Shelby
Hatch	McCain	Smith (NH)
Helms	McConnell	Smith (OR)
Hollings	Mikulski	Snowe
Hutchison	Miller	Specter
Inhofe	Murkowski	Stabenow
Inouye	Murray	Stevens
Jeffords	Nelson (FL)	Thomas
Kennedy	Nickles	Thompson
Kerry	Reed	Thurmond
Kohl	Reid	Torricelli
Kyl	Roberts	Voinovich
Landrieu	Rockefeller	Warner
Leahy	Santorum	Wellstone
Levin	Sarbanes	Wyden
Lieberman	Schumer	
Lott	Sessions	

NOT VOTING—6

Carper	Hutchinson	Lincoln
Hagel	Johnson	Nelson

The nomination was confirmed.

The PRESIDING OFFICER (Mr. SESSIONS). The President will be notified.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will now return to legislative session.

Mr. REID. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

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

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

The majority leader.

UNANIMOUS CONSENT REQUEST—BANKRUPTCY

Mr. LOTT. Mr. President, as most Members know, the Senate has been waiting for the Judiciary Committee to complete action on the very important bankruptcy bill for some time now. There is a long history behind it. As you recall, we passed the bankruptcy bill last year by a very wide margin, 70–28. The bill was eventually vetoed, even though, when I talked to the President personally about it, I had the impression that he had some hesitancy in vetoing it, but he did. And in view of the lateness of the hour, it was not overridden—an effort was not made to override it.

So at the beginning of this session, it seemed to me this was a bill that had been worked through the meat grinder very aggressively and that we should move it very quickly. So my thought was we should file it and, under rule XIV, bring it directly to the floor of the Senate. I did not make any effort to do that in a surprising way. There seemed to be pretty broad agreement that that would be a reasonable way to approach it.

However, there was some feeling by the ranking member on the Judiciary Committee that the committee should have a chance to have a look at the legislation. I discussed it with the