SENATE—*Monday, July 16, 2001*

The Senate met at 2 p.m. and was called to order by the Presiding Officer, the Honorable JON KYL, a Senator from the State of Arizona.

PRAYER

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

Gracious God, thank You for this moment of prayer in which we can affirm Your call to seek unity in the midst of differences in the parties and politics. So often we focus on what separates us rather than the bond of unity that binds us together. We are one in our calling to serve You and our Nation and in the belief that You are the ultimate and only sovereign. You are the magnetic and majestic Lord of all who draws us out of pride and self-serving attitudes to work together for You. We find each other as we join our hearts in gratitude for the privilege of leading our Nation. Keep us so close to You and so open to one another that this will be a week of great progress. Help us to work expeditiously and with excellence for Your glory and our Nation's good. Through our Lord and Saviour. Amen.

PLEDGE OF ALLEGIANCE

The Honorable JON KYL led the Pledge of Allegiance, as follows:

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

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. BYRD).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, July 16, 2001.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable JON KYL, a Senator from the State of Arizona, to perform the duties of the Chair.

ROBERT C. BYRD,
President pro tempore.

Mr. KYL thereupon assumed the chair as Acting President pro tempore.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

ENERGY AND WATER DEVELOPMENT APPROPRIATIONS ACT, 2002

The ACTING PRESIDENT pro tempore. Under the previous order the Senate will now proceed to the consideration of H.R. 2311, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 2311) making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes.

The ACTING PRESIDENT pro tempore. The Senator from Nevada.

SCHEDULE

Mr. REID. As has been announced by the Chair, the Senate will begin consideration of the energy and water appropriations bill. Today will be for debate only. There will be no rollcall votes today. The next vote is expected tomorrow at approximately 12 noon on cloture on the substitute amendment to the Bankruptcy Reform Act. I am to remind everyone that there is a 3 p.m. filing deadline for first-degree amendments to the bankruptcy reform substitute amendment.

We hope to complete action on the energy and water appropriations bill, the transportation appropriations bill, and/or the legislative branch appropriations bill before the end of this week.

I would say to all those listening, it is going to be extremely difficult to do that, but we can do it. There are only a few issues on the energy and water appropriations bill. We hope to resolve those so it does not take a lot of time. And then, of course, the appropriations bill dealing with transportation has in the last few years gone quite rapidly, and we hope it will again this year.

We are not in a position at this time, Senator DOMENICI and I, to offer a unanimous consent agreement as to when the amendments to the energy and water appropriations bill should be filed, but we are going to work on that. Senator DOMENICI is indisposed for the next hour and a half or so. But we expect him to be here at 3:30 today, at which time we will begin opening statements on the energy and water appropriations bill.

MORNING BUSINESS

Mr. REID. I see my friend from Iowa here. Does he wish to speak on the bill or as if in morning business?

Mr. GRASSLEY. Morning business.

Mr. REID. Certainly I would have no problem asking unanimous consent. As I said, Senator DOMENICI is indisposed now for the next hour or so. So what time does the Senator from Iowa expect to use?

Mr. GRASSLEY. I would expect to be done by 2:30.

Mr. REID. Fine. I ask unanimous consent, Mr. President, the Senator from Iowa be recognized for 30 minutes to speak in morning business. When he completes his work, we will return to the energy and water appropriations bill.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The Senator from Iowa is recognized.

TAX CUT ACHIEVEMENT

Mr. GRASSLEY. Mr. President, I want to visit with my colleagues and our constituents about the issues of the tax relief bill that was recently passed by the Congress of the United States and signed by the President on June 7 and will be the reason that tax rebate checks will go out, distributing $65 billion of overtaxation to the American people—back to the American people so they can spend it, so it will do more economic good than if it is politically distributed here in Washington, DC.

That bill not only has the $65 billion of tax refunds that will start going out next week and be out by September 30, but it already has reductions for other rates. The tax rebates come from the new 10-percent rate that is going into effect retroactive to January 1. It is my understanding there will be about 90 million Americans who will be getting rebates of up to $300 if they are single, $500 if they are a single parent, and also then up to $600 if they are married.

Also, remember that this is not a one-shot rate reduction, or tax rebate; that these rebates, even though they will never be received in a check again, will continue on into the future as permanent reductions in taxation for people in the 10-percent bracket. And also remember that everybody who pays taxes would pay some of that 10-percent bracket so that it does affect all taxpayers. But checks are going out for those up to the amount of $12,000 of taxable income.

I think this tax bill is going to make real changes in the lives of folks across our country. The changes I am going to discuss today result in the greatest tax relief provided in a generation—tax relief, I might add, powerfully brought about in a bipartisan consensus.

Some might ask, Why talk about something we have already done? The answer is that the legislation is quite comprehensive and to do it justice we really need to take a thorough and methodical look at it—not look at it just from the standpoint of the rebate checks that are going out, which are getting all the attention, but all the other aspects of the bill as well.

It is true there have been a lot of press reports on this legislation. Again, most of those have been related to the rebate checks going out starting next week. None of these reports, however, I believe, in the press has really tied the specific benefits of the bill back to its bipartisan purpose.

Also, the press reports have tended to analyze the bill in terms of its impact on certain types of taxpayers. At the same time, many press reports have focused exclusively on the budget angle of the tax legislation; in other words, people nervous, tearing out their hair because there is going to be less money coming into the Federal Treasury as a result of our letting the people keep their tax overpayment.

These reports that tend to be very pessimistic often echo the sentiments of the harshest congressional critics of the legislation. These reports, like the congressional critics of this bill—and probably for the most part those who voted against it—tend to ignore the benefits of the bill. Tax relief legislation is just not more money in the taxpayers' pockets in some selfish way that you let the taxpayers keep more of their money. There is great economic good that comes from the distribution of goods and services in this economy based upon an individual making that decision as opposed to a political leader in Washington, DC, making that decision through the Federal budget.

Now, of course, all of this criticism is fair play in the arena of politics. However, in recent weeks it seems to me these arguments have not been answered with the same vigor by the strong bipartisan majority of us who supported the legislation. So today I take the floor to set the record straight. Tax relief is absolutely necessary. Tax relief legislation is an important vehicle in response to our short-term and long-term economic situations. And that is basically a flat economy—1 to 1.5-percent growth instead of the 2-percent growth we projected a year ago, 1 to 1.5-percent economic growth under the last two quarters of the Clinton administration, and carrying through to the first two quarters of President Bush's administration.

That is a situation where we have these checks going out, a short-term stimulus, which, if we had not done it, would have had 100 Senators sitting around this body scratching their heads and deploring the fact that we had a flat economy. So what can we do about it?

Congress has passed tax reduction in the past to stimulate the economy but often taking effect after the economy turned around. It tended not to be as beneficial as it would have been if it had been done at the right time.

I do not want to take credit for having been a leader in the tax rebates, knowing that they were going to be needed now as a stimulus. I confess not to have thought that way last March and April when we started working on tax relief. But we ended up with tax rebates—$65 billion—and most economists are saying they could not have come at a more opportune time for an economy that is flat and in need of some stimulus.

There are three reasons for this bipartisan tax relief package. One is that it is necessary, when the Federal Government overtaxes people, to reduce taxes so that there is not overtaxation.

No. 2, it is necessary to respond to the current and long-term economic problems. I talked about the short-term stimulus, but there are long-term economic benefits from this bill that are going to enhance the economy.

Third, there is sufficient surplus outside Social Security and Medicare that is still available to accomplish a tax cut that addresses certain inequities in the Tax Code, such as the marriage penalty.

I will start with reason No. 1, that the tax cut corrected overtaxation. Before the tax cut, the Federal Government was collecting too much tax. The Federal Government was on a path to accumulate over $3.1 trillion in excess tax collections over the next 10 years. Federal tax receipts were at their highest level in our Nation's history.

The bulk of these excess collections came from the individual income-tax payer. Individual income tax collections were near an all-time high, even higher than some levels imposed by World War II.

The chart I have in the Chamber demonstrates this better than I can, how, since 1960, we have seen very high income taxation. In this particular case, we are seeing taxes, as a whole, collected by the Federal Government, not just the income taxes but everything at the highest level by the year 2000 at 20.6 percent of gross national product.

This chart shows total tax receipts as a percentage of gross domestic product over 40 years. Tax receipts have naturally fluctuated frequently since 1960, but most shockingly they spike up since the tax bill of 1993.

The January 2001 Congressional Budget Office report to Congress shows that in 1992, total tax receipts were around 17 percent of gross domestic product. As I said, by the year 2000, they were at 20.6 percent. The significance of this percentage can only be appreciated in the historical comparisons to which I have already referred. But I want to be more specific.

In 1944, at the height of World War II, taxes, as a percentage of gross domestic product, were 20.9 percent—only .5 percent higher than they are today. By 1945, those taxes had dropped to 20.4 percent of GDP, which is actually lower than the collection level today.

It is unbelievable that in a time of unprecedented peace and prosperity, which defines the last decade, the Federal Government would rake in taxes at a wartime level. The sorriest part of this whole story is that this huge increase in taxes has been borne almost exclusively by the American people who pay the individual Federal income tax.

I have another chart which shows tax collection levels for payroll taxes, corporate taxes, and all other taxes over the past decade. It shows they have been relatively stable. Corporate taxes, during the past 10 years, have increased from 1.6 percent of GDP to 2.1 percent of GDP. Estate taxes have remained relatively stable over that period of time.

However, collection of individual income taxes by the Federal Government has soared. There was a 50-percent increase during that period of time: 7.7 percent of gross domestic product in 1992 to 10.2 percent of gross domestic product as of the year 2000.

Individual income taxes now take up the largest share of GDP in the history of the individual income tax. And that dates back to 1916, except for the Civil War when there was one that the courts declared unconstitutional.

Even during World War II collections from individuals were 9.4 percent. So you see it was a full percentage point below what they are today in peacetime. As you can see, the source of current and future surpluses is from a huge runup in individual income tax collections, and not in runups in any other form of taxes and levies that the Federal Government makes on the taxpayers of this country or the businesses of this country.

Part of this is because the 1993 Clinton tax increase overshot its mark. These excess collections are attributable to that enactment, in August 1993, of the largest tax increase in the history of the world.

Since 1992, total personal income has grown an average of 5.6 percent. Federal income tax collections, however, have grown an average of 9.1 percent a year, outstripping the rate of personal income growth by 64 percent.

The Joint Committee on Taxation, at the request of the Joint Economic Committee of the Congress, estimated that just repealing the revenue-raising provisions of President Clinton's 1993 biggest-in-the-world tax hike would yield tax relief of more than $1 trillion over 10 years.

We ought to take a closer look at that 1993 world's biggest tax increase. The 39.6-percent top bracket reflected a

10-percent surcharge on the basic 36-percent rate. The itemized deductions you can subtract from your taxable income, known as the Pease Rule, and the phaseout of personal exemptions, which we refer to as PEP, the personal exemption phaseout, were temporary bipartisan deficit reduction provisions that were made permanent under the 1993 tax hike.

So remember, you had a top marginal tax rate of 36. That was meant to be permanent. But you had a temporary 10 percent put on top of that, bringing that to 36.9 percent. Yet for higher brackets they wanted to camouflage it. We had a phaseout of exemptions so that higher income people did not get the full advantage of the personal exemption, as an example, which ought to tell you that in a time of budget surpluses, which we are in right now, anybody who was intellectually honest about putting a 10-percent surtax on the basic 36-percent rate just to get rid of the annual budget deficit ought to take that 10-percent rate off. But, no, it was never done by those who proposed it and those who did it. We did it through the gradual reduction of the rates that were in the bill signed by the President June 7.

The chairman of the Finance Committee at the time of the 1993 Clinton tax increase actually called this what I have already referred to as—''a world record tax hike.'' Obviously, with income tax collections as high as they have ever been in the history of the country, we know that to be a fact.

The rationale for the tax increases was deficit reduction. It is reasonable to think that if deficit reduction was a reason for raising taxes to record levels, then in the era of surpluses we are in now, those tax overcharges, those tax overpayments, should be left with the taxpayers of America, not run through the Federal budget anymore, for two reasons: No. 1, because they are not needed, once you balance the budget; and, No. 2, if I distribute that income of the hard-working men and women in America, it doesn't turn over in the economy as much as if they keep it and spend it or invest it.

That is what creates jobs; they create wealth. We in the Federal Government don't create wealth; we only expend the wealth created by others.

This year, on a bipartisan basis, Congress did just that through the tax bill signed by President Bush on June 7. We are going to let you keep your money because we believe it does more economic good, it creates more wealth if you have it than if we have it.

Congress then agreed to return a portion of the record level of taxes back to the taxpayers and, in a sense, Congress, on party-line vote in 1993—and it was a party-line vote—raised taxes too much. And this year, on a bipartisan basis—not a party-line vote but on a bipartisan basis—we corrected that overtaxation and that temporary taxation that was put in place in 1993.

Democrats and Republicans, led by President Bush, started with the fact that the 1993 tax hike took too much from the American taxpayers and the American economy. President Bush offered to reduce individual tax rates across all rate brackets and to reduce the number of brackets.

Congress changed aspects of the President's plan and, from my point of view, improved the President's plan as it made its way through Congress. The bill the President signed did contain relief for taxpayers in all tax brackets. This benefits all taxpayers across America.

There is much wringing of hands and gnashing of teeth over the fiscal impact of that tax relief package. We hear it daily from the leadership on the other side and from many in the media. What you don't hear about is how close everyone in the Senate was on the size of the tax cut. In other words, for those who voted against the tax cut, there was just a little bit of difference between what Republicans and a bipartisan group of Members of this body thought ought to be cut at a higher level versus what everybody else, on mostly a partisan basis, thought we ought to cut taxes—just a little bit of difference.

For the record, everyone on the other side of the aisle who opposed the bipartisan tax relief package had already voted for over $1.25 trillion of tax relief. Some of those people who voted that way are the very same ones who are saying we cut taxes too much. I hope you remember that on the debate on the tax bill, everyone on the other side, including every Member of the Democratic leadership, including the present chairman of the Budget Committee, the Senator from North Dakota, voted for $1.25 trillion in tax relief. Yet they are now saying we shouldn't have this tax cut.

For instance, we had a vote on what was called the Carnahan-Daschle Democratic substitute. That amendment, if it had passed, would have represented tax cuts of that $1.25 trillion I cited.

I raise this point for two reasons: One, to make the record clear on the votes on the tax cut bill; and two, to make an even more fundamental point. That fundamental point is, despite all the rhetoric, there was widespread support for significant across-the-board relief even among the most critical of the final tax package.

Let me repeat reason No. 1 for this tax cut before I go on to reason No. 2. The American people are overtaxed. The American people have paid a tax surplus into the Federal Treasury. The goal is to let the taxpayers distribute those goods and services as opposed to having 100 Senators distribute that money.

Now reason No. 2: The tax cut is needed to reverse slow growth in the economy, not only slow growth long term but I have already referred to the slow growth that has happened right now over the last four quarters, 1- to 1.5-percent growth instead of 2.5-percent as we had projected.

I provided you with the first reason, to correct overtaxation. Now for the second one.

It is our responsibility to help the folks back home who are facing a slower economy to create jobs, to expand the economy. There has been a slowdown since the latter half of the year 2000. I will expand on the point that the economic slowdown did start in the latter part of 2000.

We have two charts. The first chart shows that economic growth has slowed considerably since the middle of last year. In the last two quarters of the Clinton administration, it started to slow. Compared to the average 4-percent growth rate since 1998, the economy grew only a little over 1 percent.

Several factors have contributed to the economic slowdown. For the two previous years, we had a tighter monetary policy by the Federal Reserve. We had Chairman Greenspan throw out of the window his very comprehensive program of liquidity from 1988 until 1995, and then he started worrying about inflation. Worrying about inflation so much, he tightened up money so that we didn't have enough liquidity. When he gets back on the kick of worrying about liquidity, not worrying about inflation, the monetary policy will turn it around. But a tighter monetary policy has brought about this slowdown. We have also had the rising energy rates, a decline in the stock market, and we have had rising tax burdens.

The economic slowdown has real impact on working Americans, as evidenced by this second chart we have here, as you have seen the unemployment rate go up. It shows that the unemployment rate had fallen steadily, but since the slowdown began last year, the unemployment rate has risen. It is now at 4½ percent, the same level it was in October 1998.

Although there is still considerable uncertainty about the economy, a number of factors seem to point in the right direction, and one is there is some reversal of the Federal Reserve on its monetary policy. We have had energy prices stabilize. For instance, a week ago last weekend, I bought gas in Cedar Falls, IA, at $1.19 a gallon.

Given the continued pessimism on Wall Street, however, the economy remains vulnerable to potential shocks. So we should continue to monitor signs of potential trouble ahead and be prepared to take additional steps should they become necessary. Republicans and Democrats have a responsibility to address this problem.

There is some speculation by some on my side of the aisle that those on the other side are hoping the recession comes about for political reasons. I disagree with that speculation. I believe everyone here wants to get the economy on a steady path. Everyone knows that the worst thing you can do in an economic downturn is to raise taxes. On the other hand, a tax cut is a stimulus to economic activity. So if your goal were to further slow down the economy, one sure way to do it would be to raise taxes. On the other hand, if you see a slowdown coming, a tax cut would be a wise response to get the economy growing again.

In other words, if we had not cut taxes, not had these rebate checks going out, we would be nervously trying to cut taxes to stimulate the economy. A tax cut stimulates economic growth in two ways. First is to the extent the tax cut currently provides more money for consumers to spend, it creates more demands for goods and services. Secondly, and most importantly, the tax cut stimulates the economy through changes in expectations for workers, investors, and businesses. In other words, a lower tax bite means that workers, investors, and businesses can expect to retain more of the income generated by their activities. That expectation will change what workers and investors and businesses do right now. That does more economic good than if we have a political decision to distribute the goods and services.

Chairman Alan Greenspan and others have alluded to a new form of ''bracket creep'' brought about by high tax rates. In a sense, through this new form of bracket creep, the Federal Government was getting a windfall from workers, investors, and businesses.

With the lower marginal tax rates, some of the damaging bracket creep has been eliminated over the long term. That change should free up more income to flow through the marketplace and stimulate the economy.

So it was pretty clear some action needed to be taken to stimulate the economy. Action was taken and now, hopefully, for the folks back home, the economy will start to grow significantly.

Now if I can go to the third and last reason why the tax bill needed to be passed—the issue of fairness. We heard during the debate, and even recently, a hue and cry from some on the other side of the aisle that not all taxpayers should receive a rate reduction. They said the bipartisan tax relief bill that was signed by the President disproportionately benefits upper income taxpayers and does not provide enough relief at the lower income scale.

Well, we have news for that group of people. None of those allegations is true, and the charts that I have will show that. But we first need to understand the current distribution of tax burdens in America. We already have a highly progressive income tax system. According to the Congressional Budget Office, the top 20 percent of income taxpayers pay over 75 percent of all the income taxes coming into the Federal Government. By contrast, households in the bottom three-fifths of the income distribution pay 7 percent of all individual taxes.

Sometimes I get the feeling around here that when it comes to progressivity, the only way it is going to satisfy anybody here is if the richest man in America is supporting the Federal Government totally. But for those who are worried about this tax bill not being progressive enough, it not only preserves an already progressive system; it actually makes it more progressive. Those who don't like progressive income tax systems don't like to hear me say that. But for those who say our tax bill has made it less progressive, I hope it causes them to keep their mouths shut.

So to all who are critical of the bipartisan tax relief package as a tax cut for the rich, I invite them to pay special attention to data prepared by a neutral source, the Joint Committee on Taxation. These professionals work for both sides of the aisle, Republicans and Democrats, and for both the House and the Senate. As the Joint Committee on Taxation says, the marginal tax rate reductions in our bill, as signed by the President, combined with the increase in the child credit, and its added refundability, the marriage penalty, the education provisions, and the individual retirement accounts and pension provisions—all these aspects of this bill provide the greatest reduction in tax burden for the lower income taxpayer.

I ask unanimous consent that the tables prepared by the Joint Committee on Taxation be printed in the RECORD.

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

DISTRIBUTIONAL EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R. 1836 [1]

[Prepared by the staff of the Conference Agreement for H.R. 1836, May 26, 2001]

Income category [2]	Change in Federal taxes [3]		Federal taxes [3] under present law		Federal taxes [3] under proposal		Effective Tax Rate [4]	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law (percent)	Proposal (percent)
Less than $10,000	−$75	−1.0	$7	0.4	$7	0.4	8.7	8.6
10,000 to 20,000	−2989	−11.5	26	1.5	23	1.4	7.5	6.7
20,000 to 30,000	−5,790	−9.4	62	3.5	56	3.3	13.4	12.2
30,000 to 40,000	−5,674	−6.4	89	5.1	83	4.9	16.1	15.1
40,000 to 50,000	−5,490	−5.4	102	5.9	97	5.7	17.4	16.4
50,000 to 75,000	−11,546	−4.5	256	14.6	244	14.4	19.1	18.3
75,000 to 100,000	−8,488	−3.5	244	13.9	235	13.9	21.7	21.0
100,000 to 200,000	−10,488	−2.6	408	23.3	397	23.5	24.2	23.6
2000, and over	−6,997	−1.3	555	31.7	548	32.4	27.8	27.4
Total, All Taxpayers	−57,536	−3.3	1,748	100.0	1,690	100.0	21.4	20.7
CALENDAR YEAR 2002								
Less than $10,000	−75	−1.0	7	0.4	7	0.4	9.2	9.1
10,000 to 20,000	−3,596	−13.3	27	1.5	23	1.3	7.6	6.6
20,000 to 30,000	−7,124	−11.3	63	3.4	56	3.2	13.5	12.0
30,000 to 40,000	−6,849	−7.6	91	4.9	84	4.8	16.1	14.8
40,000 to 50,000	−6,198	−5.8	106	5.8	100	5.7	17.5	16.5
50,000 to 75,000	−13,251	−5.0	267	14.5	254	14.4	19.0	18.0
75,000 to 100,000	−10,227	−4.0	255	13.9	245	13.9	21.7	20.8
100,000 to 200,000	−14,416	−3.3	442	24.1	427	24.3	24.2	23.4
200,000 and over	−16,557	−2.9	578	31.5	562	32.0	27.9	27.1
Total, All taxpayers	−78,294	−4.3	1,836	100.0	1,758	100.0	21.5	20.6
CALENDAR YEAR 2003								
Less than $10,000	−83	−1.1	8	0.4	8	0.4	9.7	9.6
10,000 to 20,000	−3,516	−12.9	27	1.4	24	1.3	7.6	6.6
20,000 to 30,000	−7,135	−11.0	65	3.3	58	3.1	13.6	12.1
30,000 to 40,000	−6,946	−7.5	93	4.8	86	4.6	16.0	14.8
40,000 to 50,000	−6,155	−5.7	108	5.6	101	5.5	17.4	16.4
50,000 to 75,000	−13,554	−4.9	279	14.4	266	14.3	18.9	18.0
75,000 to 100,000	−10,553	−4.0	265	13.7	255	13.8	21.7	20.8
100,000 to 200,000	−15,487	−3.2	479	24.8	464	25.1	24.2	23.4
200,000 and over	−17,453	−2.9	609	31.5	591	31.9	28.1	27.3

DISTRIBUTIONAL EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R. 1836 [1]—Continued

[Prepared by the staff of the Conference Agreement for H.R. 1836, May 26, 2001]

Income category [2]	Change in Federal taxes [3]		Federal taxes [3] under present law		Federal taxes [3] under proposal		Effective Tax Rate [4]	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law (percent)	Proposal (percent)
Total, All Taxpayers	−80,882	−4.2	1,933	100.0	1,852	100.0	21.5	20.6
CALENDAR YEAR 2004								
Less than $10,000	−69	−0.9	8	0.4	8	0.4	10.0	9.9
10,000 to 20,000	−3,429	−12.6	27	1.3	24	1.2	7.6	6.6
20,000 to 30,000	−7,121	−10.8	66	3.3	59	3.1	13.6	12.2
30,000 to 40,000	−6,964	−7.3	96	4.7	89	4.6	16.0	14.8
40,000 to 50,000	−6,320	−5.8	110	5.4	103	5.3	17.4	16.4
50,000 to 75,000	−15,049	−5.2	288	14.2	273	14.2	18.7	17.8
75,000 to 100,000	−12,913	−4.6	279	13.8	266	13.8	21.5	20.5
100,000 to 200,000	−22,095	−4.3	512	25.2	490	25.3	24.1	23.0
200,000 and over	−21.671	−3.4	642	31.6	620	32.1	28.2	27.3
Total, All Taxpayers	−95,630	−4.7	2,028	100.0	1,932	100.0	21.6	20.6
CALENDAR YEAR 2005								
Less than $10,000	−76	−1.0	8	0.4	8	0.4	10.1	10.0
10,000 to 20,000	−3,867	−14.0	28	1.3	24	1.2	7.6	6.5
20,000 to 30,000	−7,937	−11.6	68	3.2	60	3.0	13.7	12.1
30,000 to 40,000	−7,720	−7.9	98	4.6	90	4.4	16.0	14.7
40,000 to 50,000	−6,945	−6.2	112	5.3	105	5.2	17.2	16.2
50,000 to 75,000	−16,630	−5.5	303	14.2	286	14.1	18.7	17.6
75,000 to 100,000	−14,709	−5.1	287	13.5	273	13.5	21.4	20.3
100,000 to 200,000	−24,654	−4.5	547	25.7	522	25.8	24.0	22.9
200,000 and over	−21,182	−3.1	678	31.9	657	32.4	28.3	27.4
Total, All Taxpayers	−103,720	−4.9	2,129	100.0	2,025	100.0	21.6	20.6
CALENDAR YEAR 2006								
Less than $10,000	−76	−0.9	8	0.4	8	0.4	10.4	10.3
10,000 to 20,000	−3,789	−13.6	28	1.2	24	1.1	7.6	6.6
20,000 to 30,000	−7,853	−11.4	69	3.1	61	2.9	13.7	12.2
30,000 to 40,000	−7,839	−7.9	99	4.4	91	4.4	16.0	14.7
40,000 to 50,000	−7,570	−6.5	116	5.2	108	5.2	17.2	16.0
50,000 to 75,000	−18,755	−6.0	313	14.0	294	14.0	18.6	17.5
75,000 to 100,000	−17,212	−5.8	297	13.3	280	13.3	21.3	20.0
100,000 to 200,000	−30,208	−5.1	588	26.3	558	26.6	23.9	22.7
200,000 and over	−44,177	−6.1	719	32.1	675	32.1	28.3	26.6
Total, All Taxpayers	−137,476	−6.1	2,238	100.0	2,100	100.0	21.7	20.3

[1] Includes provisions affecting the child credit, individual marginal rates, a 10% bracket, limitation of itemized deductions, the personal exemption phaseout, the standard deduction, 15% bracket and EIC for married couples, deductible IRAs, and the AMT.

[2] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus; [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2001 levels.

[3] Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax and estate and gift taxes are not included due to uncertainty concerning the incidence of these taxes. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

[4] The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

Source: Joint Committee on Taxation. Detail may not add to total due to rounding.

Mr. GRASSLEY. Mr. President, I will go to a couple of the charts I referred to prepared by Joint Tax. Look at the levels of reduction in tax burden shown on this chart. You can see that the lowest income brackets receive the highest reduction.

Now, for the year 2006—and I say for the year 2006 because that is when the individual tax provisions or rates are implemented—taxpayers with over $100,000 of income receive a tax cut of between 5 and 6 percent. Taxpayers earning between $10,000 and $50,000 get a tax cut of between 6.5 percent and 13.6 percent, with those at the lower income levels getting the biggest percentage of reduction. Even those with incomes below $10,000, who, by and large, don't pay income and payroll taxes, receive a tax cut under the bipartisan tax relief package.

Under the tax relief, 6 million Americans will be taken off the income tax rolls. Those are lower bracket people. Just tell 6 million people who are never going to be paying income tax in the future that they aren't getting a benefit from this greater than higher income people who are going to be paying income taxes the rest of their lives. A four-person family earning $35,000 a year will no longer have any income tax burden.

As the Joint Tax data also shows, a large reduction of the tax burden is targeted toward taxpayers between the $30,000 and $75,000 income brackets. These taxpayers will enjoy significant effective tax relief.

I also said that the bipartisan tax relief actually makes our tax system more progressive. The Joint Tax Committee again provides the proof. As the Joint Tax tables demonstrate, under the bipartisan tax relief package, the overall burden goes down for taxpayers earning below $100,000. For taxpayers making $100,000 or more, however, their share of the Federal tax burden will actually increase under the bipartisan tax relief legislation. For example, for taxpayers earning between $100,000 and $200,000 a year, their share of the burden will increase by three-tenths of a percent. This is not the case for taxpayers earning between $10,000 and $30,000. Their share of the overall burden will decrease by three-tenths of a percentage point.

So the bipartisan tax relief legislation not only retains the progressivity of the tax system, but that progressivity is enhanced.

Now, it is clear that distribution tables aren't the only way to define tax fairness. There were other categories of tax relief that carried bipartisan priority in terms of fairness. First, on a bipartisan basis, there is concern about the added burden for couples who decide to marry. This important social objective was impaired by the marriage penalty. The bipartisan tax relief legislation provided marriage tax relief.

Second, on a bipartisan basis, there was concern about the Tax Code's failure to recognize the cost of raising children. The bipartisan tax relief legislation provides tax relief for millions of families with children, including those who pay no income tax at all. In addition, the dependent care tax credit was enhanced for families with children in day care.

Third, on a bipartisan basis, there was concern about helping families with the rising cost of education. As a response, the bipartisan tax relief legislation includes a package of educational tax relief measures.

Fourth, on a bipartisan basis, there was concern about declining savings rates and the need for more secure retirement plan benefits for more workers to help baby boomers who are saving less. As a response, the bipartisan tax relief legislation included significant enhancements to individual retirement accounts and retirement plans. This package was then perhaps the greatest improvement in our individual IRAs and retirement plans in a generation.

Finally, there was a bipartisan concern about the confiscatory impact of the death tax, especially for family farmers and small businesses. As a response, the bipartisan tax relief legislation includes death tax relief, including repeal.

Today I have talked about the three most important reasons from my perspective why we were able to pass the largest bipartisan tax relief measure in a generation.

The first reason is to correct the policy of overtaxation that stemmed from the heavy tax hike of 1993.

The second is to respond with an economic stimulus against the current economic slowdown.

The third is there are sufficient budgetary resources to address tax fairness problems.

It is important to realize that the major tax legislation just enacted rests on a very sound foundation. It should not be dismissed, it should not be obfuscated, and it should not otherwise be distorted by budgetary demagoguery. Let us not forget that revenue is not an abstract notion. Revenue reflects the sum total payments to Washington by hard-working men and women. It is not abstract when paid and should not be treated as an entitlement by those of us fortunate enough to be sent here to make policy decisions to represent the folks back home.

We have a very good tax bill. Our challenge is to make sure that those in Congress who want to spend more money and do not like giving the people back their money—we are intent upon keeping this reduction of revenue coming into the Federal Treasury, not because we are concerned about the taxpayers, but because if those taxpayers spend that money, it is going to do more economic good and turn over the economy, create more jobs and more wealth than if I spend it as a Member of the Senate.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from California.

Mrs. FEINSTEIN. Mr. President, I ask unanimous consent to speak for approximately 20 minutes in morning business.

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

CONTROLLING THE PROLIFERATION OF SMALL ARMS AND LIGHT WEAPONS

Mrs. FEINSTEIN. Mr. President, I rise today to speak about the proliferation of small arms around the world and, specifically, the remarks made by John Bolton, the Under Secretary of State for Arms Control and International Security Affairs before the United Nations this past July 9 at the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All its Aspects.

I begin by saying what I sincerely believe: I think it is right and necessary to limit the illicit sale of small arms and light weapons on a worldwide basis. In order to do that, however, one also has to address transparency and legal transfers of small arms and light weapons because so much of the illicit proliferation problem has its roots in legal sales. I was therefore very surprised that Under Secretary Bolton said the United States may well be opposed to measures being considered by the conference that are aimed at curbing the international proliferation of small arms and light weapons.

Before I address Mr. Bolton's speech, and the question it raises about the direction of the administration's policy in this area, I would like to briefly sketch out the scope and scale of this problem:

The worldwide proliferation of small arms—this includes shoulder-mounted missiles, assault weapons, grenade launchers, and high-powered sniper rifles—is a staggering problem today. Right now there are an estimated 500 million illicit small arms and light weapons in circulation around the globe.

In the past decade alone, an estimated 4 million people have been killed in civil war and bloody fighting, many of them with these same small arms.

As a matter of fact, 9 out of 10 of these deaths are attributed to small arms and light weapons. According to the International Committee of the Red Cross, more than 50 percent of the 4 million people killed—that is 2 million people—are believed to be civilians. The sheer volume of available weaponry has been a major factor in the devastation witnessed in recent conflicts in Angola, Cambodia, Liberia, Mozambique, Rwanda, Sierra Leone, Somalia, Sri Lanka, and Afghanistan, as well as the sort of violence endemic to narcotrafficking in Colombia and Mexico. These conflicts undermine the regional stability, and they endanger the spread of democracy and free markets around the world.

The United Nations and the Red Cross estimate that more than 10 million small arms and light weapons, ranging from pistols to AK–47's to hand grenades to shoulder-launched missiles, are today in circulation in Afghanistan where the terrorist organization of Osama bin Laden is based.

The United Nations estimates that over 650,000 weapons disappeared from government depots in Albania in the 3 years leading up to the outbreak of violence in the Balkans, including 20,000 tons of explosives.

NATO peacekeepers and U.S. soldiers in the region are under threat and in danger from these weapons. In fact, the increased access by terrorists, guerrilla groups, criminals, and others to small arms and light weapons poses a real threat to all U.S. participants in peacekeeping operations and U.S. forces based overseas.

Clearly, this is a substantial problem, and it has profound implications for U.S. security interests. It is because of the scope and scale of the problem that the United Nations conference on the illicit trade in small arms and light weapons, I believe, is so important.

Unfortunately, as the Washington Post editorial on July 10 put it, Mr. Bolton's opening address ''appeared designed to cater to the most extreme domestic opponents of gun control''. Although I do not disagree with all that Mr. Bolton said, I want to ask that we examine more closely the implications of some of his statements, and how they conflict with both settled Supreme Court precedent and the goals of stemming the tide of illicit arms into the hands of terrorists, drug cartels, and violent rebellions.

First, Mr. Bolton stated that ''The United States will not join consensus on a final document that contains measures contrary to our constitutional right to keep and bear arms.''

As the Post's editorial points out, ''No such measures appear in the draft documents before the conference.'' Why, exactly, did he do that?

I believe not only is Mr. Bolton wrong in his assertion about the connection between the Second Amendment and the work of conference, but in any case Mr. Bolton's position on the Second Amendment is in direct contradiction to decades of Supreme Court precedent.

Not one single gun control law has ever been overturned by the Court on Second Amendment grounds.

Contrary to the constant claims of the NRA, the meaning of the Second Amendment has been well-settled for more than 60 years—ever since the 1939 U.S. Supreme Court ruling in United States v. Miller. In that case, the defendant was charged with transporting an unregistered sawed-off shotgun across state lines.

In rejecting a motion to dismiss the case on Second Amendment grounds, the Court held that the ''obvious purpose'' of the Second Amendment was ''to assure the continuation and render possible the effectiveness'' of the ''state Militia.'' Because a sawed-off shotgun was not a weapon that would be used by a ''state Militia'', like the