

conversation somewhere else, but I understand what the Senator is saying.

Mr. President, I want to finish my comments. I think we have almost used our 10 minutes. I thank my good friend for his comments. I could never claim to be the chairman that Senator BYRD was, but in any event, I do hope the Members are listening to what we are saying. We have had over 100 amendments on the last two appropriations bills. If that continues, we will be on appropriations bills until the day we go off on recess for the conventions. There will be no time for PNTR. Let's get the bills up. I urge the Members to be considerate of what we are doing. If we can finish them, then we take up PNTR. I think we can't keep breaking up the concept of these bills. The synergy of getting a bill working and getting it to pass in the appropriations process is necessary to get these done by the time we go off on August recess.

I have every confidence we will get to the PNTR. The Senator from West Virginia is right; despite my support of PNTR, it is not our constitutional duty to finish it by the end of the fiscal year. The appropriations bills are. That is our point. We want to do our job on time. We urge the Senate to work with us to get that done.

I think our time has expired.

The PRESIDING OFFICER. The time has expired.

The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask consent to speak for 2 minutes so I can ask the majority leader a question.

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

Mr. BAUCUS. Essentially, I am trying to move this ball along. It is a pretty large bill and includes lots of different items. Not only is it PNTR but appropriations bills.

I wonder if I could ask the majority leader if PNTR is included in the list of "must-pass" measures for July? We are all working together, particularly with the good meeting we had last evening in the majority leader's office with Senator THOMPSON and others, working out provisions of the Thompson amendment. There is a good chance we can move things along.

I ask the Senator his views on the subject.

Mr. LOTT. Mr. President, I certainly want to move this along. I want to have a vote on the Moynihan substitute on the death tax, and then have a vote on our alternative. That would be the best way to proceed. We would have two votes and Senators could cast their votes accordingly, and we would move on.

Instead, we have an agreement that will take all day and into the night. Instead of taking 2 or 3 hours, it will wind up taking probably 10 or 12 hours. I hope on the marriage penalty tax we could vote on the alternative. Senator MOYNIHAN has a reasonable alternative. We could vote on that, vote on our alternative, and be through with the marriage penalty tax and move on to the appropriations bills.

We do have a matter we are working through on both sides to try to deal with the question of nonproliferation of nuclear weapons, the language suggested by Senator THOMPSON. We are trying to find a way to get an agreement on the language and a way to consider that.

We must do the people's business. We have to do these appropriations bills. We have to do at least four appropriations bills beyond the Interior appropriations bill. When we get that done, I don't see any problem then in moving to China PNTR. I can't make days out of whole cloth, and I can't make commitments until we get our work done. But we are all working on that, I think, in good faith.

Senator REID worked assiduously on these appropriations bills. Energy and water we may be able to do in a day or two. Agriculture, I will be surprised if we don't have 80 or 100 amendments pop up. That bill could take a week. It is very important to our country. We all want the Agriculture appropriations bill completed. Commerce, State, and Justice—no matter what Members might think about Commerce or State or Justice, we need to get that bill done very badly. That bill quite often is like fly paper, it draws a lot of amendments. If we made a commitment, if we made up our minds on both sides of the aisle we will complete Interior and do three more appropriations or four more appropriations bills next week, we could do it. But it would take an extraordinary amount of heavy lifting to get that done.

I will work with Senator STEVENS and Senator BYRD. It is rare for these two Senators to take the floor and say what they have said today. I have to weigh that carefully.

Mr. BAUCUS. Thirty seconds. I very much appreciate the situation we are in, with very few days left and lots of business to conduct. As far as I am concerned, I will do my part. I know others on this side will try to help maintain that schedule. For example, on the estate tax bill, I think there are a couple of amendments on your side that will be accepted by voice vote or agreed to by voice vote to help move this along. In that spirit, I remind the leader it is critical that PNTR come up and be disposed of this month.

I thank the leader for his hard work.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, if I could bring everyone back to reality, the problem of the day—not next week or the week after—is that we have about 12½ hours of debate time, excluding voting, and the leader indicated he wants to do that today. So that means about 2:30 or 3 o'clock this morning unless something is done carrying this matter over or shortening the time.

I think it is great to talk about the future. That is important. But my concern is what we have here today and it is a tremendous burden. As I indicated, I think we have over 12 hours of debate

time in the unanimous consent request alone.

DEATH TAX ELIMINATION ACT OF 2000—Continued

Mr. ROTH. What is the pending business?

The PRESIDING OFFICER. The Moynihan amendment.

Mr. ROTH. How much time do I have?

The PRESIDING OFFICER. The Senator from Delaware has 45 minutes and the Senator from New York has 30 minutes.

Mr. REID. Does the Senator from Delaware wish to use some of his time now?

Mr. ROTH. Yes, I do.

I yield 15 minutes to the distinguished Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas is recognized for 15 minutes.

Mr. HUTCHINSON. I rise in opposition to the Democratic alternative and in strong support of H.R. 8. I listened with interest to the debate taking place earlier this morning on this bill. I have the utmost respect and admiration for Senator MOYNIHAN. However, I wrote down one phrase he used. He said: We should stay with a tax that has served us well.

I think that is the fundamental difference between the parties and those who differ on this issue. I don't believe the death tax has served our country well. I don't believe it has served the American dream well. I don't believe it serves the American people well.

The death tax basically says to the American people: Be successful but don't be too successful. The death tax says: Work hard but don't work too hard and make too much. The death tax says: Save your money but don't save too much. The death tax puts a ceiling on what the American dream can be. I think that is fundamentally wrong, and therein is the basic difference between the two philosophies, the two parties, the two approaches on the death tax.

There are those who say you can make too much and at that point the Government is going to step in and we are going to take what we think you have excessively made and earned and saved and invested, and we are going to redistribute that; we know better how to use that estate than your heirs, your family, your loved ones.

We believe that is wrong. The whole approach behind the death tax is fundamentally wrong and un-American. The amendments that are being offered, including the Democratic alternative basically say, let's tweak it a little bit; let's finesse the death tax a little bit; let's expand the exemption a little bit, let's tinker with it.

But that is not enough. This is a tax that is past its time—if it was ever justified, and it was not. It should be removed, eliminated, and that is why this alternative is insufficient.

It is no accident that the American Farm Bureau endorses H.R. 8. American farmers already have enough challenges growing crops, bringing them to market, making a living. Yet still our farmers see their land whittled away generation by generation, and not just by floods or storms or infestation but by the Federal Government and its tax policies. Death taxes can destroy family-owned farms and ranches when, after taxes, farmers do not have enough to keep their land, their buildings, or their equipment.

I want you to listen to the words of H. Jay Platt of the Arizona Farm Bureau Federation as he testified before the House Small Business Committee. This is what he said:

My grandfather started our ranch around the turn of the century with a couple of cows on a few acres of grazing land. For 100 years my family has worked hard to build our operation into a modern ranch that is the core of the financial base for three families. We paid taxes on everything we've earned and we don't understand why we have to pay again when we die. We can't comprehend why the government wants to penalize us for being successful by taking our ranch at death. We believe that our family, our community and the environment will all be better off if our ranch continues.

That is a powerful statement. That is farmers. But small businesses are in a similar trap. According to the NFIB, more than 70 percent of family businesses do not survive to even the second generation, and more than 87 percent of these small family-owned businesses never make it to the third generation. One in three small business families today have to sell their businesses outright or liquidate business assets just to pay the death tax.

The American dream can become an American nightmare because of the death tax. Democrats talk about the estate tax bill we are considering, the elimination bill, as being a tax break for the richest people in America. Let me tell you about some of the people who are really affected by the death tax.

One of my own staffer's husband and his siblings just experienced the deaths of both parents. Their mother died only 2 weeks ago. In addition to the intense emotion and grieving this family is currently going through, they are now faced with selling family farmland and other assets in order to pay estate inheritance taxes in an attempt to save the family home and the family business.

This is farmland that their parents and they have tilled and planted, farmland which paid for all four of the children's college education. Their small lumber and hardware store is located in a town of 1,400 people and has been in existence nearly 50 years. Not only will they have to pay estate taxes totaling almost half of the estate; they will have to pay capital gains taxes on the assets they sell in order to pay for the death tax. Talk about adding insult to injury. That surely does.

This is not about the wealthiest Americans. This is about a family who

has put countless hours into rebuilding their family lumber business which burned to the ground a decade ago. This is about all 1,400 people who live in that small town, who are served by that family business, as well as the employees whose livelihoods depend upon that business. This is about handing down a legacy to their children who want to maintain the business which has served this rural community for five decades.

The Federal estate tax, the death tax, punishes families for the deaths of their loved ones. The Federal estate tax takes its toll irrespective of the fact that any sale of inherited assets is subject to capital gains taxes. It is clear and, to me, it is simple: This is double taxation. It runs contrary to this country's work ethic and to family values.

I have a stack of letters that have come in in the last month from people in the State of Arkansas who are not wealthy Americans but who see the deadly impact of the death tax. Let me share with you one letter from Haskell Dickinson:

DEAR SENATOR HUTCHINSON: My father has grown gray worrying about his estate. He and his family members have paid exorbitant life insurance fees. He has been under intense pressure from large corporations who, he knows will consolidate his company and destroy local business relationships. He has been disillusioned that having to sell will mean a valuable Arkansas asset will be owned by an out-of-state firm. Arkansas stands to lose a lot from such a sale because of lost "local" business relations and community support and leadership.

The estate tax is a cruel, grinding tax on people like my dad, and his family, and it's terrible for communities to lose good businesses and relationships to bigger, "out of town," corporations.

Or this letter from Jack Kinnaman of Kinco, Incorporated.

DEAR SENATOR HUTCHINSON: Since I've been in business, my company and I have paid in income tax ranging from 25-75%. I have worked hard all my life and worked those 60-100 hr. weeks building a company. I am 66 yrs. old and still work 50-60 hrs. a week. When I die, in all probability, the family will not be able to afford to keep the business going because of the Death Tax (opponents call it estate tax). Some relief was given because so many family farms were being lost. Small businesses like mine should not be lost because of a "wealth distribution mandate". We should have some feeling of comfort and pride that we can leave a successful business to our children.

I urge you to support the Death Tax Repeal Proposal approved by the House.

Mr. Kinnaman, I agree with you. I agree with you.

Richard Posner put it this way:

Since the accumulation of a substantial estate is one of the motivations that drive people to work hard, a death tax on saving is indirectly a tax on work.

It is a fundamental difference. Do you think you ought to tax the products and the fruits of somebody's labor or do you believe you should not? It is a basic difference of philosophy. You can tweak it. You can finesse it. You can expand the exemption. But you are

still saying, if you make too much, we are going to penalize you because we are going to tax you at 55 percent. We are going to take half of everything you earned, worked a lifetime to make. That is wrong. You can make all the rationalization and justifications, we should not penalize success in America. We should not say: you worked too hard; you did too well; you succeeded too much. That ought to be exactly the kind of thing we reward in this country.

These hard-working—not wealthy but hard-working—and successful Americans are right when they say this tax should be repealed. It takes from Americans an incentive to save, a will to work. The National Federation of Independent Business, the American Farm Bureau, the Black Chamber of Commerce, the Hispanic Chamber of Commerce, the National Indian Business Association, the Pan-American Chamber of Commerce, and on and on, all support H.R. 8, and so should my colleagues on the other side of the aisle.

The death tax has been repealed in 20 States since 1980, including that of Senator KENNEDY of Massachusetts, Oregon, Vermont. The nation of Canada repealed it, Israel repealed it, Australia abolished it, and so should we. It is past time. It is time to make friends of logic and taxation by repealing the death tax. Let's clear the way for parents to bequeath to their children, not bequeath to the Federal Government.

I yield the floor.

The PRESIDING OFFICER (Mr. AL-LARD). The Senator from Nevada.

Mr. REID. The minority yields 15 minutes to the Senator from North Dakota, Mr. CONRAD.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, perhaps it is useful to this debate and discussion to put in perspective what we are talking about in budget terms, and then to go to the specifics of the proposals that are before us. I think it is useful, first, to review where we are in terms of the projected surplus over the next 10 years because those numbers have just changed. We are now told we will have a total surplus, a projection of a surplus, of \$4.2 trillion over that 10-year period.

I think it is also important to remember that two-thirds of that money is from Social Security and Medicare; \$2.3 trillion represents surpluses from Social Security, \$400 billion represents surpluses from Medicare.

Between those two, over \$2.7 trillion of the \$4.2 trillion projected surplus is from Social Security and Medicare. That leaves us over the next 10 years \$1.470 trillion of non-Social Security, non-Medicare surplus. This is money that I argue is available for tax relief, is available for additional debt paydown, and is available for high priority domestic needs such as education, prescription drug coverage, additional expenditures on defense, and

other high priorities that we might have in this country. I also argue that Agriculture ought to be given additional resources to confront the Europeans, our major competitors, who are outspending us dramatically as they attempt to buy markets that were once ours. That is the money we have available over the next 10 years.

The other day in the Washington Post, Secretary Summers, the Secretary of the Treasury, warned us that the proposal that has come out of the House, which is before us now as the Republican proposal, explodes in cost in the second 10 years.

I just reviewed our budget circumstance in the next 10 years according to the latest estimates. In the second 10 years, the Republican tax proposal on estate tax explodes in cost. It goes from \$105 billion to \$750 billion. Here is the Secretary of the Treasury alerting us that the tax cut will cost too much. He points out that the estate tax repeal measure passed by the House and now before the Senate would cost about \$750 billion in the second 10 years, more than 7 times its cost in the first 10 years. He points out:

If it were to be enacted, it might be the most backloaded piece of tax legislation ever.

That is the Secretary of the Treasury.

The respected columnist, David Broder, wrote in the Washington Post the day before the Summers' column, Sunday, July 9, a recommendation to the President that he veto the Republican estate tax proposal. He points out that 98 percent of the inheritors in 1998 paid nothing in estate tax—nothing. The \$28 billion in inheritance taxes came from 2 percent of very large estates.

He goes on to point out that under a 1997 law, a couple with a farm or business worth up to \$2.6 million can give it to their heirs tax free. The Democrats raise that to \$4 million for a couple, which means that only 1 of every 100 estates would face any inheritance tax. In fact, our proposal is to raise it to \$4 million for a couple, and \$8 million for those who own small businesses or farms. We are talking about a fraction of 1 percent that would have any liability under the plan we are offering.

These charts tell the story. The Republican plan explodes in cost in the second 10 years. It goes from \$105 billion over that period in the first 10 years to \$750 billion in the second 10 years.

There is also something very interesting about the estate tax proposal of our Republican colleagues. They talk a lot about eliminating estate taxes, but really what they do in the first 10 years is not eliminate the estate tax at all. In the first 10 years, they reduce the rates at the top end so the people they are helping are the people who are the very wealthiest in the country. Those are the people to whom they are providing the first relief.

It is, frankly, very odd. I have to ask my Republican colleagues why they would choose to provide estate tax relief in this way. Why don't they begin by helping the small business owners and the farmers and the couples who just qualify for paying estate tax? Why not?

Mr. KYL. Will the Senator yield?

Mr. CONRAD. If I can continue.

Mr. KYL. For a question.

Mr. CONRAD. I will be happy to yield for that purpose after I have gone a little further. I then will be happy to engage my colleague. Why do they have an estate tax plan that gives the first relief to the very wealthiest among us? Why not provide the first help to those who really need it: small business owners, the farmers who we think ought to be exempted from the estate tax because the estate tax structure, as it is, is out of date.

That is not what the Republican plan does. The blue line on this chart shows current law. The red line shows the GOP estate tax proposal. They reduce the rate starting at the top rate first. They reduce that and then create this incredible cliff effect when it goes into full effect supposedly 10 years from now. Frankly, because of the exploding cost, I doubt their plan would ever go into full effect. We would have the worst of all worlds. We would have the top rates reduced, nobody relieved from estate tax liability for the first 10 years, and then I believe because of the exploding costs, this cliff effect would never occur, and we would have the worst of all worlds. We would have lost the ability to plan, to manage estates; we would have lost the opportunity to take people off the rolls who really ought to be off the rolls, and we would have, as I say, the worst of all worlds.

If we look at the underlying facts, 98 percent of estates currently are exempt; 98 percent of estates pay no estate tax because of current law which provides substantial credits to exempt the vast majority of estates. Only 2 percent have some requirement to pay under current law. The Democratic proposal in the first year relieves 42 percent of those 2 percent of any liability. That is the Democratic plan. The Republican plan relieves 0 percent of estates from taxation in the first year. Let's go back and review what I have said.

Under current law, 98 percent of estates are exempt. Only 2 percent pay any estate tax. Under the Democratic plan, of those 2 percent who have some estate tax liability, in the first year we take 42 percent of them off the rolls completely, entirely. The Republicans take none of them off the rolls—none.

At the end of the 10-year period, the Democratic plan takes 67 percent of those 2 percent of estates that have a liability now off the rolls. We take two-thirds of them off the rolls entirely. The Republicans, by the year 2009, takes none of them off the rolls of liability.

There is an enormous difference between these plans, and the Democratic

plan is far superior in the next 10 years to the Republican plan—far superior for couples, far superior for small business, far superior for farmers.

In this morning's New York Times on the front page of the business section, it says:

Two prominent experts on estate taxes said yesterday that the Democrats were offering a much better deal to small-business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated on nearly all of them. "The fact is that the Democrats are making the better offer—and I'm a Republican saying that," said Sanford J. Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays & Handler in New York. With routine estate planning, he said, the \$4 million exemption could effectively be raised to as much as \$10 million in wealth that could be passed untaxed to heirs. Only 1,221 of the 2.3 million people who died in 1997 left a taxable estate of \$10 million or more, I.R.S. data shows.

Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwest farmers, said that only a handful of working family farms had a net worth of \$4 million.

Of course, we would permit \$8 million by a couple to be passed untaxed to heirs.

Above that—

Above the \$4 million he is referencing—

with very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers," he said.

Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the president up on his promise to sign the Democratic bill.

The Democratic plan, even according to Republican tax analysts, is far superior to the Republican plan in providing relief to taxpayers.

It is also true our proposal costs less—\$64 billion over the next 10 years, instead of the \$105 billion of the Republican plan. That means we could use that other money for other priorities.

We could use it for an additional paydown of the debt. That happens to be my favorite priority. I would like to have an even more rapid paydown of the debt because of the enormous benefits that flow from that policy.

But there are other things we could do. We could provide tax incentives for health care with the additional money. We could provide for college tuition deductibility, which would help millions of American families who are sending their kids to college. We could have retirement savings proposals. Those cost in the range of \$30 to \$40 billion. We could have a long-term care tax credit. That costs \$32 billion.

As I say, we could have additional debt reduction of \$40 billion under the Democratic plan, in addition to dramatic estate tax relief that would immediately remove people from the rolls of having to pay estate tax. We could have a paydown on a prescription drug benefit.

This is a question of priorities. Our priority has been to give real relief, immediate relief, to those estates that

ought not be taxed, in our judgment, to give real relief to thousands of families who would pay no estate tax under our plan and have that relief immediate, starting this coming year, allowing 40 percent of the small number of estates that are currently taxable—only 2 percent of the estates are currently taxable, and we take 40 percent of them off the first year. They owe nothing. The Republican plan takes none of them off the rolls. It gives their relief at the top end, top down, rather than bottom up. That is the fundamental difference between our plan and their plan.

We have, as I say, in the New York Times this morning prominent tax experts saying the Democratic plan is better for small business owners. It is better for farmers. There is really no question about it.

In the first 10 years, people are much better off under the plan we have offered. I go back to the point I made earlier. Under the Republican plan, you get to the second 10 years and the cost explodes, right at the time the baby boomers start to retire, and put additional pressure on the budget of the United States.

I believe the Republican plan will never go into effect. They will find some other way to circle back and impose a tax on those assets because the cost of their plan explodes in the second 10 years to \$750 billion right at the time the baby boomers start to retire.

I tell you, this is the time to have estate tax relief that is real, not to wait 10 years but to start now, taking people who should not be there off the rolls, giving relief to small business owners and farmers. That is what the Democratic plan does.

Mr. President, I would be happy to yield to the Senator from Arizona who had an answer to a question. I yield on his time.

The PRESIDING OFFICER. The time of the Senator from North Dakota has expired.

Who seeks recognition?

Mr. ROTH. Mr. President, I ask the Senator from Arizona, how much time does the Senator wish to have?

Mr. KYL. If I could have 15 minutes, I think that would do it.

Mr. ROTH. I yield the Senator 15 minutes.

Mr. KYL. I thank Senator ROTH for yielding me the time.

I appreciate the Senator from North Dakota at least attempting to yield for an answer to his question. Here is, I think, the simplest explanation. I will give two. If the Democratic plan is better for small businesses and farms, then why is it that every small business organization and every farm organization support the Republican plan?

I am responding to the Senator's question. We have politicians on both sides of aisle saying: Our plan is better. No, our plan is better.

Why is it that all of the organizations that we are concerned about—the farmers and the small business folks—all support the Republican plan?

Let me read into the RECORD a few of these organizations. The American Farm Bureau supports the Republican plan. There are a whole number of organizations such as the Soybean Association, the Sheep Association, and others. Let me list a few of them: the National Association of Wheat Growers, the National Association of State Departments of Agriculture, the National Cattleman's Beef Association, the National Corn Growers Association, the National Cotton Council of America, the National Milk Producers Federation, and with regard to small business, the umbrella organization, the National Federation of Independent Business.

And back to the farm groups: the Pork Producers Council, the Small Business Legislative Council, the United Fresh Fruits and Vegetables Association.

I could go on and on reading from this list. This is a three-paged, single-spaced list of small business organizations and farm organizations, and every one of them support the Republican plan, not the Democratic alternative.

So I think that is the answer to the question: Which one of these plans is better for small businesses and farms? It is the Republican plan. Why is that? There is actually a fairly simple answer, and then an answer that takes a little more explanation.

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

Mr. KYL. Not right now. Let me finish my point.

The reason why the Democratic alternative is not supported by any of these organizations is because no one can qualify for the benefit it purports to grant. It does not matter whether you raise the exemption from \$600,000 to \$1 million or \$2 million if people can't qualify for it. The fact is, it is very difficult, if not impossible, for most small businesses and farms to qualify.

I will cite some experts who make that point, but, first of all, the statistics: Only 3 to 5 percent of affected estates qualify under these sections. In today's Wall Street Journal, there is a reference to this fact. The lead editorial "Death Tax Revolt," reads:

But Senate Democrats also offer to expand a small-business and farm exception that is a tax-lawyer's dream. The loophole, known as IRS Code section 2057, is so complicated and onerous that few estates qualify. That's why even House Democrats offered the cleaner alternative of a 20 percent cut in estate-tax rates.

It then goes on to note that Senate Democrats have offered this instead.

Let me quote from a couple of memos from tax experts that make this point:

The requirements to qualify for the new exclusion provided by 2057—

Which is the section we are talking about here—

are virtually identical to the requirements to qualify for special use valuation for farms under section 2032A. . . . The 2032A nexus is

very important since most estate tax analysts agree that section 2032A is a flawed section of the Code that is virtually unworkable.

Let me just go on here:

The frustration of farmers with 2032A and its enforcement has resulted in virtually no farm families structuring their estates to take advantage of this so-called relief in the Code. . . . Quite simply, these provisions, while well-intentioned, are flawed and represent "broken" sections of the Code. Tinkering with the Code—

I will just interject: As the Democratic alternative purports to do—and trying to engineer and mandate the circumstances for running a business or farm 10 years into the future is a gross violation of a family's right for self-determination for the business or farm and against the spirit of allowing an individual's hard-earned, after-tax life's work to be shared and enjoyed by his/her loved ones.

Here is what one of the experts in estate tax has noted:

The current Qualified Family-Owned Business Interest is 4 pages of statute as Code Section 2057. Its predecessor 2033A was condemned by the Real Property and Probate Section of the American Bar Association which urged its repeal.

Why? Because it is malpractice waiting to happen. All of the lawyers getting together can't figure out how to make this code work for small businesses and farms. They can't qualify.

Reading on:

The reason for this condemnation by this respected organization and others was extreme complexity and limited application, plus little practical help in preserving family farms and businesses from forced sale or liquidation to pay the 55 percent estate tax.

Although 2057 is only 4 pages of law, it incorporates by reference 14 sections from 2032A—valuation of certain farms, etc., real property.

Section 2032A, which is itself 11 pages, "was considered the most dangerous section of the estate tax law because of the risk of malpractice claims against estate planning lawyers and accountants. Currently, there are 149 tax cases which have been decided and reported involving 2032A issues." The IRS has challenged the validity of the estate planning under this section and has won approximately 67 percent of the cases.

So what kind of great relief do we have in the Democratic package? Relief which is based upon attempting to qualify under a section that only 3 to 5 percent of the eligible estates can qualify under, where lawyers are frequently committing malpractice if they try to gain this qualification, and where the IRS is succeeding in over two-thirds of the challenges which they are making to attempts to qualify under this section.

The point is, you can make this exemption as high as you want to, but it is unworkable. That is the fatal flaw in the Democratic plan. As the Wall Street Journal editorial noted, House Democrats who sought to have an alternative recognized this and went at it in a different way—not our colleagues in the Senate.

There are additional memoranda from tax experts who make this very same point.

I will move on to another point. My colleague, Senator CONRAD, quoted the Larry Summers article which is grossly in error. The Secretary of the Treasury forgot two important points when he estimated the cost of the Republican plan.

First, remember that the Republican plan is not just a repeal of the estate tax. It is essentially a substitution of the capital gains tax for the estate tax. That is an important point. When somebody such as Secretary Summers or Senator CONRAD says, here is how much the repeal of the estate tax is going to cost, and then doesn't take into account the revenue that is brought in by the application of the capital gains tax, they are presenting a distorted picture.

The first point is that while the capital gains tax rate is lower at 20 percent, lower than the estate tax rate, it will nevertheless produce revenue when the property of the heirs is sold, at least it is their decision as to when to sell their property. It does not have to be sold at the time of death of the decedent in order to pay the tax. They can wait and hold it forever if they want to maintain the small business or keep on the family farm. If they would like to sell those assets sometime, they do so knowing that there is going to be a capital gains tax. Granted, at a rate lower than the estate tax, but it is still a tax they are going to have to pay.

The second thing Secretary Summers did not take into account—and it has not been taken into account by our friends on the other side—is the step up in basis. Under the existing law, the basis is stepped up at the time of death. So let's take one of these billionaires they are fond of talking about. If the widow of a billionaire sells all of the estate the day after the death of the decedent, there is no gain. As a result, the step up in basis results in a payment of zero capital gains tax, none whatsoever. They have to pay the estate tax but zero capital gains tax. By removing this step up in basis, we take death out of the equation. If and when the assets are ever sold, they are sold knowing that the capital gains tax applies and that it is calculated on the basis of the original cost to the owner of the property.

So the decedent bought the property 10 years before at \$10 a share, and it is up to \$100 a share now. The basis is the \$10. The gain is calculated based upon that. Then you pay the capital gains tax. That is why all of these wild estimates of how much this is going to cost are off the mark. They don't take into account the fact that we substitute the capital gains tax and that we repeal the step up in basis.

There is another point I will make. Given the fact that we are talking about a budget surplus of trillions of dollars over a 10-year period, obviously any "cost to the Treasury" is irrele-

vant. It is, A, a drop in the bucket and, B, not needed because we are running a huge surplus. Why are they so worried about this loss in revenue to the Federal Government? By definition we are running a surplus, and we don't need the revenue.

One of the comments the Senator from North Dakota made was that our proposal costs less. Yes, it costs less because it provides less benefit. If it is so good for the family farms and small businesses that they seem to care so much about, why would they then want to stress the fact that their plan costs less, when in fact that means it provides fewer benefits.

The bottom line is, the Republican alternative, which is supported by the agricultural and small business groups, is the better plan for them. It is a better plan because it doesn't rely upon a fatally flawed provision of the Tax Code to make it work. It repeals the estate tax, but it provides an important substitute. That substitute is that the estates would be subject to a capital gains tax to the extent that the property of those estates is ever sold.

We believe that is a very fair way to approach this issue. It takes death out of the equation. It removes that horrible Hobson's choice that a family must make at the worst possible time for them to have to deal with it, at a time when the head of the family has died; he is the person perhaps most responsible for making this farm or small business a success. They are then faced with the difficult choice of having to figure out how to pay the estate tax and, in many cases, having to sell this business in order to do so.

One more important point. There is a recent Gallup poll that points out that 60 percent of American people favor outright repeal. Only 35 percent oppose that. Yet 43 percent of the people who favor repeal say they know they would never benefit from the repeal. That demonstrates to me that they understand this is a very unfair tax. Only 17 percent believe they will benefit by a repeal of the tax. That may be a fairly representative number. But it is an unfair tax.

Another one of the reasons why it is so unfair is because a great deal of the expense associated with this is not the payment of the tax, but it is the payment of all of these lawyers and accountants and estate planners and the purchase of insurance and other products which are designed to avoid the payment of the tax. The very wealthy, these billionaires the other side likes to talk about, can well afford all of the lawyers. They end up shielding the bulk of their income as a result of the estate planning they do. It is the smaller estates that end up having to pay the tax because they haven't been able to afford these expensive products to try to avoid the tax.

Besides simply being jobmakers for lawyers, which I don't think we are in the business of being, this is a very expensive proposition. It is interesting

that the bulk of the people who pay the taxes are the smaller estates.

I ask unanimous consent to print in the RECORD a brief explanation from an article by Bruce Bartlett of why the larger estates pay only 20 percent of the total taxes.

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

[From the Washington Times, June 19, 2000]

THE REAL RAP ON DEATH AND TAXES

(By Bruce Bartlett)

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

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

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

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

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

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

One could, perhaps, make a case for a heavy estate tax if there were evidence a large share of the nation's wealthiest families got that way through inheritances. But this, in fact, is not the case in America and never has been. A 1961 study by the Brookings Institution found that only 6 percent of

the wealthy acquired most of their assets through inheritance. Sixty-two percent reported no inheritances whatsoever.

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

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

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

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

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

Mr. KYL. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. KYL. A good opportunity to summarize:

I support what Senator ROTH said earlier this morning. The Democratic alternative is no alternative at all because it relies upon a definition in the code that virtually no one can meet.

Only 3 to 5 percent of the estates qualify. That is why the Democratic alternative is no alternative at all. Is this only me speaking? No. All of the farm and small business organizations agree. They support the Republican alternative, not the Democratic alternative. I think the best test of which one of these plans best meets their needs is to ask the people who are most affected. They answer resoundingly that it is the Republican plan that best meets our needs; it is the Republican plan that we support.

For that reason, when it comes to choosing between the alternative—you have to make a choice here—the Republican alternative, which passed the House of Representatives with strong bipartisan support, is the one that should be supported and the Democratic should be rejected.

Mr. REID. I yield 5 minutes to the Senator from North Dakota.

Mr. MOYNIHAN. Will the Senator defer to me for just 3 minutes?

Mr. DORGAN. Yes.

Mr. MOYNIHAN. Mr. President, it is with some potential embarrassment that I stand here and say I may be the only person in the Senate who lives on a farm and has done so for 36 years. It is a dairy farm, with cows in the pasture and in the barn. The neighbors are all dairy farmers—not all, but most.

Meaning no disrespect, if anyone presumes to think that the American Farm Bureau speaks for the farmers of Delaware County, they have not been in Delaware County. An insurance firm looks after a very small number of very well-to-do people. In New York State, according to Ray Christensen, who was the Delaware County Republican supervisor before he became assistant commissioner of the Department of Agriculture and Markets, the average sale price of a farm is about \$257,000.

Here—quite unexpected, but very welcome—in this morning's New York Times, the lead article of the business section talks about the Democratic estate tax plan. It cites Neil Harl, an Iowa State University economist who is a leading estate tax adviser to Midwestern farmers. He says that only a handful of working family farms have a net worth of \$4 million.

Above that, with very few exceptions, you are talking about the Ted Turners who own huge ranches and are not working farmers.

Mr. Harl said he was surprised that farmers were not calling lawmakers to demand that they take the President up on his promise—which the President has promised—to sign the Democratic bill. The article concludes:

Professor Harl, the Iowa State University estate tax expert, said that he had heard many horror stories about people having to sell farms to pay estate taxes. But in 35 years of conducting estate tax seminars for farmers, he added, "I have pushed and pushed and hunted and probed and have not been able to find a single case where estate taxes caused the sale of a family farm; it is a myth."

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 5 minutes.

Mr. DORGAN. Mr. President, I sat here in wonder at the description just offered by a couple of Senators about this proposal to repeal the estate tax. It is a proposal that is dressed with language saying that this is to help family farmers and small businesses. Yet when you remove the disguise, what you have are people pulling uphill a bag of goodies for the largest estates and the wealthiest people in this country. Clarence Darrow, at the end of his life and long career in law, once said, "I have long suffered from being misunderstood." Then he said, "I may have suffered more had I been understood." This proposal by the Republicans is going to suffer by being understood in this debate and by the American people. Let's understand what it

is. First of all, we all agree that we ought to essentially repeal the estate tax for small businesses and family farms. We all agree on that. In fact, as the Senator from New York said, the New York Times article today says:

Two prominent experts in estate taxes said yesterday that the Democrats were offering a much better deal to small business owners and farmers, because the relief under their bill would be immediate and the estate tax would be eliminated for nearly all of them.

"The fact is that the Democrats are making the better offer"—and I am a Republican saying that—"said Sanford Schlesinger of the law firm of Kaye, Scholer, Fierman, Hays, and Handler of New York."

What the Democrats offer is a much better deal. It repeals the estate tax for all family farms and small businesses. Put that offer on the table. We repeal it more quickly. What is left is that the Republicans have decided they insist on repealing the estate tax for the wealthiest families in this country—\$300 billion to \$400 billion for additional tax relief for the wealthiest estates here in America. That is what they insist upon.

What else could we do with this? They insist that money be used to give tax relief to the wealthiest in this country. Well, we could probably reduce the Federal debt. Would that be better than giving tax relief to somebody who dies and leaves a \$1 billion estate? The heirs will only get \$700 million or \$800 million, and there will be money paid on an estate tax on the estate. Perhaps that money could be used to reduce the Federal debt. Would that be a gift to America's children? I think so.

Perhaps it can go to the prescription drug benefit in the Medicare program. How about using the money for that? Would that be more important than easing the tax burdens on the largest estates in the country? I believe so.

A series of things that would be a better use of those funds ought to be debated today. A USA Today editorial says:

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

Those are the choices. The Republican side of the aisle says, no, let's not just repeal the estate tax on small business and family farms, let's repeal it on the wealthiest estates in America and claim that what we are trying to do is protect farmers and small business people.

Well, I don't think they appreciate being used that way. Farmers and small business people don't appreciate being used by someone who wants to take the \$300 billion or \$400 billion in tax relief that will accrue to the wealthiest American families and be

told that somehow this is really for farmers and small businesses.

The New York Times article today says something else:

There is one reason that the American Farm Bureau Federation and the NFIB, National Federation of Independent Business, are not supporting the Democratic plan. Despite the fact that it is better for family farmers and small business, one reason may be that leading the call for the repeal of the tax, the two organizations representing merchants and farmers have done little to tell their members about the Democratic plan. Interviews this week with a half dozen people whom the two organizations offered as spokespeople on the estate tax showed that only one of them had any awareness or understanding of the Democratic plan.

Here you have two organizations—the American Farm Bureau Federation and the NFIB—running around Washington saying they represent farmers and family businesses, and they are supporting the wrong program. They are supporting a repeal proposal that is less advantageous for family farmers and small businesses. And they tell their folks back home that they are doing their business. Nonsense. You have two competing plans. Both of them would repeal the estate tax for family farms and small businesses. But the Republican plan says we must go further and we must give \$300 billion to \$400 billion in additional tax cuts in the next 10 years and make sure those tax cuts go to the wealthiest estates in America.

We say that is not the right set of priorities for this country. I have heard this out-of-breath discussion. The folks who talk about disguising public policy and debate around here are absolutely correct. You can't disguise what you are doing here in terms of a large tax cut for the wealthiest American estates by saying this goes to family farmers and small business. It doesn't.

The proposal we offer is the one that will exempt family farms and small business.

The proposal they offer is the one that will give hundreds of billions of dollars to the largest estates in America—\$250 billion in tax benefits to the 400 wealthiest families in America.

Is that the priority? It is for them. It is not for us.

There are other needs and interests: prescription drugs for Medicare; as I have mentioned, paying down the Federal debt; tax relief for middle-income families. There are so many things that are so important that we could do in public policy here today. Instead, we are debating a plan that says, let us at this time and in this place provide the largest tax cut in history to the wealthiest estates in America.

That doesn't make sense, no matter how you debate it.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I yield myself 10 minutes from leader time.

Mr. President, I wish to make a few comments concerning the proposal, but also on the issue. I, for one, am dis-

appointed that we had to file cloture on a motion to proceed to take up this bill. That took a long time. I am disappointed to see that now we may have a list of 10 amendments on each side, most of which have very little, if anything, to do with the underlying issue of estate tax repeal or reduction.

In other words, it is unfortunate, but a lot of people want to play politics, or they want to have a lot of different amendments that have nothing to do with this issue.

The American people want tax relief. They want to eliminate one of the most unfair taxes in America. Some people ask: Why are you doing this? Doesn't it only apply to 2 percent of the American people? The tax applies to a lot more than 2 percent of the American people. A lot of people aren't aware of the fact that they may well have to pay the tax. It is a very punitive tax.

Again, I have heard my Democrat colleagues say they are willing to increase the exemptions so we can increase the number of people who pay zero and, therefore, make the problem go away. The tax doesn't go away.

We are dealing with this tax on death. The Federal Government is saying, if you die and you happen to have an estate right now above the exemption amount, the Federal Government is going to come in and take at least 37 percent of what you have left if you have a taxable estate. If you have a taxable estate of \$1 million, the Government wants 39 percent; if it is \$3 million, 55 percent. That is pretty high. If you have a taxable estate of between \$10 million and \$17 million, the rate is 60 percent.

What is fair about that, whether it is 1 percent or 10 percent of the American people paying it? What is fair about the Government taking 60 percent of somebody's business or their property, for which they worked their entire life. For the Government to come in and say, "We want over half of it"? Absolutely nothing is right about that. Where is the justice in society, even if it is only one person? Shouldn't we have a Tax Code that is fair for all? Is it fair to say 1 percent or 2 percent or 5 percent, we are going to take half of your property? Is that justified?

I thought Government was supposed to protect our property not confiscate it. An individual should not be subject to extra burden because they have been successful. Maybe you start a small business and it grows, and you have no interest in taking the money out of the business. You want it to grow. You want your kids to take over or maybe your grandkids to take it over.

There are millions of businesses in America today where the second or third generations want to grow, build, and expand. They are not trying to sell it so they can hand their kids a lot of wealth. They want their kids to have a business where they can continue to grow it, employ more people, and provide a product and a service. Then

Uncle Sam comes in and says: Sorry you are too successful. We want 50 percent or 60 percent of what you have.

That is currently the law. If we adopt the Democrats' substitute, it will stay that way.

Last year, only 902 out of 47,000 estates, as pointed out by Chairman ROTH, qualified as small businesses or as family farms. A whole lot of farms and a whole lot of businesses that think they would qualify for the exemption will find out that the IRS has written these regulations pretty tight, and they don't qualify. All of a sudden, their business is hit with a very high tax. Let's say a restaurant business is bigger than \$5 million. Say you have a couple of restaurants in Denver or maybe in Delaware and you build a nice restaurant worth a couple million dollars. You work hard every night. Maybe you have two restaurants, and the net value of the estate is \$6 million. Uncle Sam is going to come in and say, under the Democrats' proposal, maybe we will give you a \$2 million exemption, but for \$4 million of it, you are going to be taxed.

Do you start the tax rate at 18 percent? No. Under the Democrats' proposal, you start at the taxable rate of 37 percent. By the third million dollars, you are at 55 percent. The tax that you are going to owe is \$1.5 million. The restaurant doesn't have it. How do you pay? You have to sell it. Instead of somebody being able to keep that restaurant and pass it on to the third generation, you have to sell it because you do not have the \$1.5 million you owe in taxes. It may be worth \$3 million, but you do not have \$1.5 million in cash. Now you have to sell it, and the Government is responsible for destroying a business. Maybe someone else will pick it up; maybe not. Maybe the person who picks it up doesn't have the same interest in the employees or the same real interest in the business. Who knows?

My point is that Government shouldn't be confiscating property because somebody dies.

The proposal that passed with overwhelming bipartisanship in the House, by a two-thirds majority, two to one, said eliminates the death tax. Let's make it taxable when the property is sold. When someone dies, his or her children should be able to inherit the restaurant. If their kids want to keep operating the restaurant, they should not be taxed. The tax should be incurred when the restaurant is sold. It should be taxed at a capital gains rate of 20 percent instead of 55 or 60 percent.

That makes more sense. When they sell it, guess what? They have the cash. They can pay the tax. The tax rate is reasonable. It makes sense. It is 20 percent, not 55.

So the idea that we are going to exempt this greater percentage of the estate doesn't eliminate the unfairness of the tax. It doesn't even do what President Clinton said that he may be willing to do. The President, spoke to the

Governors on July 10, just a couple of days ago, and said: "We provided some estate tax relief in 1997. I really didn't think it was enough. I think there should be more."

I was involved in the conference in 1997. I will tell you that Secretary Rubin totally opposed this measure in estate tax relief throughout the entire process. Assistant Secretary Summers was also completely opposed to it. For the President to say he really wanted to do more is factually incorrect, or maybe his Treasury Secretary was not representing his interests. Maybe his Assistant Secretary of Treasury, Larry Summers, who at that time in 1997 said, "In terms of substantive arguments, the evidence is about as bad as it gets. When it comes to the estate tax, there is no case other than selfishness."

That was Larry Summers position in 1997. That was when we were negotiating the tax bill in 1997, on which the President now says he wanted to do more. I find that to be very interesting.

The President also said to the Governors—"I mean, you could argue the rates are too high because they are higher than the maximum income rates now, and that is something that didn't used to be the case."

That is right. The maximum estate tax rates that I just mentioned go up to 55 percent and 60 percent for the biggest estates, because we phased out the gradual phasing in of the rates. For a taxable estate between \$10 million and \$17 million, the rate is 55 percent; above \$17 million, it is 60 percent.

The maximum personal income tax rate is 39.6 percent—actually it is higher than that because the President eliminates other deductions and exemptions and has no limit on Medicare tax—he is implying he would be willing to reduce the maximum estate tax from 55 to 39.6. That is a step in the right direction, because rates are the problem.

The Democratic proposal does not affect the rates. It only increases exemption. If we have an estate beyond that exemption—and there are millions of farms and ranches and businesses above it; they are \$2 million, \$4 million, \$6 million—they are hit with the rate. Because of the unified credit, you are taxed at 37 percent.

What we did in the Republican proposal that passed the House, was change the unified credit to an exemption. Once a person is above the exemption amount, they begin paying estate taxes at 18 percent, not 37 percent. The bipartisan proposal that passed the House, that we will vote on, that Chairman ROTH has been pushing, gives tax relief for people who pay estate taxes; they start paying at 18 percent instead of 37 percent. We changed the credit to an exemption and that benefits the lower value of estates that are taxable.

This rhetoric that we are exempting the big estates is hogwash. Big estates pay capital gains when those properties

are sold. They will pay when that property is sold—not when someone dies. That rate will be 20 percent. That makes sense. The tax is paid when the property is sold, not when someone dies.

Too many people are faced with the very unfortunate circumstance which I faced when my dad died. I was young. My father passed away, and we had a manufacturing company. The book value of that manufacturing company was zero. The Government claimed it was worth a lot. We fought the IRS for 7 years over the value of the company. We ended up writing a big check and settling with the IRS. The Government wanted a big chunk of the Nickles Machine Corporation. They said it was worth much more than we did. How do we know what the value is unless we sell it? The Government was trying to force us to sell the company.

I am afraid this is happening today in millions of cases all across the country. People are aware that this may happen, so they start planning: What shall I do? Maybe I will start giving stock to my kids. Maybe the kids want to be in the business, maybe they don't want to be in the business. There are schemes. People who have big estates create foundations. They do all kinds of things to avoid the tax.

There are millions of Americans who don't know the tax is coming. If they do, they are worried about it, or they contain their plans, or they don't grow their businesses. That is yet another negative consequence of the death tax. They say: Why should I grow this business? I will pass away, and the Government will get over half. Why should we "grow it" if the Government is going to take half of it?

As a result many new jobs are not created. Many economic transactions do not take place because of the Government's heavy hand coming in. That is in addition to the fact that they taxed the property when it was originally received or as it earned income year by year.

This is one of the most unfair taxes on the books—maybe the most unfair tax we have on the books today. It needs to be repealed. An exemption will not cure the problem. It may garner support from some groups, but it is not adequate. Anybody who reads the definition of "farm" and "business" will realize they do not qualify for the exemption.

The Democrat substitute is not feasible and it should not pass. I urge my colleagues to vote against the Democrat substitute and vote in favor of the Roth amendment.

I hope we will be voting on both before too long and I hope those are the only two votes we have on this bill. I understand we may be voting on twenty amendments regarding taxes in general. I think we should be considering amendments relevant to estate taxes only. These extraneous amendments do not help the process, they just slow it down.

I yield the floor.

The PRESIDING OFFICER (Mr. FITZGERALD). The Senator from Nevada.

Mr. REID. I yield 5 minutes to the Senator from Massachusetts.

Mr. KENNEDY. I yield myself 4 minutes.

Mr. President, with all due respect to the Senator from Oklahoma, I think the two Senators from North Dakota spelled out very clearly and convincingly the differences between the position taken by the Republican majority, and the alternative proposed by Democrats. The Democratic proposal basically and fairly addresses legitimate concerns in the estate tax by essentially removing the estate tax from small farms and businesses. That presentation has been made effectively by the Democrats. I don't think anything that has been said in the recent moments undermines the credibility of the Democratic position. I think the Democratic alternative proposal reflects the views of the overwhelming majority of the Democrats on this issue.

I am somewhat amazed as we come into the final days of this period of the Congress that we are talking about how we are going to reduce the taxes for the wealthiest 2,400 Americans. These people pay half of all current estate taxes. In the outer years, the second decade after a repeal, the 400 wealthiest families in this country would save \$250 billion in taxes under the Republican plan. That explains why some of our colleagues on the other side insist that we spend the Senate's limited time addressing only the concerns of the wealthy.

The fact is, we have 10 million Americans today who would benefit from an increase in the minimum wage. We know the minimum wage has fallen substantially behind in its purchasing power. Why isn't the Senate of the United States debating what we will do for the 10 million hard-working Americans, working 40 hours a week, 52 weeks of the year, in some of the most challenging jobs in our society? What is it about the priorities of the Republicans trying to protect the interests of the very wealthiest individuals in our society, rather than trying to deal with the hard-working Americans who are at lower levels of the economic ladder—in this case, hard-working Americans making minimum wage? Many of these workers are women, including women who have children; and a significant number are men and women of color. This is a family issue. It is a children's issue. It is basically a fairness issue.

No, the Republicans with this issue want to reduce taxes on the wealthiest individuals, \$250 billion additional for the 400 wealthiest families in this country. Should that surprise Members? No. I look back to the debate from the mid-1990s. Perhaps some Members remember the famous tax

loophole called the Benedict Arnold tax loophole that permits Americans to accumulate billions and billions of dollars in this great land. And then what does a citizen do? He basically renounces his citizenship and takes those billions of dollars out of the country, tax free. It is the Benedict Arnold tax loophole.

I went over the various votes we had to end this deplorable practice. We voted at least seven times on that. Every time we had a sense-of-the-Senate resolution that was non-binding, our Republican friends voted with us to eliminate this Billionaire tax loophole, but when had substantive votes to actually do something about it, they voted against us.

Just about a month ago, in May the Wall Street Journal reported that the loopholes enabling the super-rich to renounce their citizenship and avoid tax remain. The loopholes in the expatriate tax law are so big that you could fly a jumbo jet through them. The basic Benedict Arnold loophole remains alive and well—costing the Treasury billions and billions of dollars.

President Clinton has joined Democrats in repeatedly proposing to end all of the loopholes. His February 2000 budget includes repeal. But we see no action from the Republicans. We only see them wanting to add more escape hatches for the super-rich.

Why is it that the Republicans are so prepared to protect the financial interests of the wealthiest individuals? We ought to be taking these resources and investing them in our schools. We need significant investments in education so that our children can attend modern schools, schools that are worthwhile for their attendance, schools with small class sizes, and schools with trained teachers. Many Republicans talk about these needs, but when it comes to action, they want to focus on adding to the riches of the rich. The nation deserves much better than this estate tax repeal plan.

We ought to be debating here this afternoon the interest in a prescription drug program that will look after 40 million Americans, instead of 2,400.

It is very clear what the priorities are. The other side, the Republicans, are looking after the financial interests of the wealthiest individuals in this country, and many of us believe that we, at this time, ought to be debating what we are going to do to protect the hard-working Americans who are making the minimum wage, those senior citizens who need a prescription drug coverage, or the children of this country who need new, modern schools. That is what the issue ought to be.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I congratulate the Senator from Massachusetts on his remarks. They were precise. They were telling. It is a baffling matter. Forty million Americans need a minimum wage increase and we are here on the floor talking about

2,400, who wish to avoid all the estate taxes which Theodore Roosevelt began in this Nation. At the end of the century in which he started it, we want to get rid of it. It is baffling.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, the Senator from Montana would like to speak for, I believe, 5 minutes.

Mr. REID. Mr. President, the Senator from Montana is yielded—there is 1 minute left on the bill, and 4 minutes from the 90 minutes.

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

Mr. BAUCUS. Mr. President, a lot has been said about this issue on both sides, the bill offered by the majority and the Democratic alternative, how best to deal with estate taxes. As often is the case, there is a lot of rhetoric flying around here, a lot of claims, a lot of words. It is, I am sure, difficult for the American public who may be listening to this debate to try to ascertain the facts. Most people would like to know which bill does make more sense, after hearing all the debate and all the rhetoric. I would like to do what I can to give some honest facts and let the people decide for themselves.

One is the statement made by the Senator from Arizona, Mr. KYL, that the Treasury Department, in estimating the cost of their bill, did not look at the capital gains effect. That is just not true. The fact is the Treasury Department did look at the capital gains effect in the second 10 years of the bill. That figure, \$750 billion in cost, is an accurate figure. That is a fact.

Second, the point was made—and by other Senators—that the small business exemption in the Democratic bill is too complicated; farmers, ranchers, and small businesses just cannot qualify. The fact is, No. 1, there has to be some provision in the code which indicates who does and who does not qualify for an exemption. There has to be some set of guidelines. There are guidelines which were modified in 1997 on a bipartisan basis by both Republicans and Democrats. That is in the law today.

I might say, too, we, in our bill, by raising the small business exemption for small businesses and family farms—and also, I might add, unified credit—do give great relief to farmers and ranchers, not only in the first year but the second year and all the years that are contained in this bill; whereas, in the House-passed bill, even though they might complain about the provision of the law which gives exemption, there is nothing advocated by the majority side which deals with anything that would help farmers and ranchers in the family-held exemption.

Basically, the fact is, if you are a farmer or rancher or if you are a small business person and you are trying to decide which of these two bills is going

to help you the most, it is clear; it is black and white. The Democratic alternative is going to help farmers and ranchers, small business people—family-held businesses—dramatically more in the first year, the second year, the third year, the fourth year, and forever; whereas, in the House-passed bill, there is virtually no help to farmers and ranchers and business people until the 10th year, when it is automatically repealed.

I might also add, the cost is a matter of concern. Here we are in Congress, trying to give estimates as to what the budget surplus will be in the next 10 years, the next 20 years. That is a hard thing to do, but we do our best. Ironically, because we did not want the measures to be backloaded too much the second 5 years, we have now asked for 10-year estimates instead of 5-year estimates. The net effect of that is it blows up the surpluses so they look so large.

The difficulty is those are only projections. That is all they are; they are just projections. At the same time, we are here today talking about law. We are discussing what a new law should be and how much taxes should be reduced. On the one hand, it is projections; on the other hand, it is the cold reality of law.

I do not know if this is going to happen; nobody knows, but it could well be that 5 years from now, 10 years from now, the economy might not be doing so well; the projections might be off. I do not know if it is wise—I am only talking about wisdom here—to pass a tax reduction bill which does not take effect, in a sense, for another 10 years, which is so dramatic in its reduction of taxes at a time when we really do not know what the economic picture of the country will be.

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

Mr. BAUCUS. I would love to yield, yes.

Mr. MOYNIHAN. Does he not recall that in 1980 the Office of Management and Budget projected a large surplus for the Federal budget in the coming 5 years?

Mr. BAUCUS. I recall it very well.

Mr. MOYNIHAN. Just as we were plunging into the deepest deficits?

Mr. BAUCUS. It is vivid in my mind.

The PRESIDING OFFICER. The 4 minutes of the Senator have expired.

Mr. BAUCUS. I think I had 1 minute more.

The PRESIDING OFFICER. The additional minute has also expired.

Mr. REID. The Senator is yielded another 2 minutes.

Mr. BAUCUS. I thank my friend from Nevada.

I will sum up because these are the facts. We have a choice: It is the House-passed bill or the Democratic alternative. The House-passed bill gives no relief, no estate is exempted under the House-passed bill, none, for 10 years—none. On the Democratic alternative, the vast majority of farmers

and ranchers and small business people—family held—are exempt from paying estate taxes. That is a fact.

Fact No. 2: The Democratic alternative is less expensive. Why? Because it does not totally repeal the estate tax, the effect being for the very wealthy taxpayers. That is a fact.

Do we want to repeal the estate tax for the most wealthy taxpayers? I submit, because we are dealing with budget estimates, we do not know what the outyears are going to be. Because the House bill does not take effect for 10 years anyway, it makes sense to pass measures which do not repeal for the most wealthy, but, rather, save some of that for debt reduction, for education tax credits, or for other matters that, really, more American people really care more about than total tax relief for the most wealthy. That is really the question here.

I think most Americans, when they look at the facts of the bill and ask themselves which of those two choices makes the more sense, would think discretion is the better part of valor here. We cannot have everything. There is moderation in everything. The most moderate, balanced way is to say: OK, let's address the problem we are most concerned with—small businesses, farmers, and ranchers—because that is what is most important; but let's not do everything because we live in a society where we have to work things out on a fair, balanced basis and take things a step at a time.

Most Americans are very balanced, have common sense and lots of wisdom. That is the way we should go.

Mr. MOYNIHAN. Well said.

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

Mr. ROTH. Mr. President, I yield myself such time as I may use.

Too often in our debates on the Senate floor, we lose touch with what really is at issue. What we do here, the decisions we make, affect real people. For that reason I want to take a moment and read a letter I recently received.

DEAR SENATOR ROTH: I am a 14 year old boy, living in New York, and though my knowledge of the law is very minuscule, I know one thing, the Estate Tax is wrong. I have considered myself a Democrat for all of my life, volunteering for Bill Bradley for President and my local Congresswoman from New York's 14th District, Carolyn Maloney, but on this issue I must side with the opposition.

I shall explain to you why I am so opposed. My Grandfather on my mother's side bought his house in 1945 in Winnetka, Illinois for \$10,000. He was a doctor. Back then, Winnetka was a "dry" town, alcohol was prohibited. Today, Winnetka is one of the rich suburbs of Chicago and my Grandmother, 86 years old, lives alone in the same home without my Grandfather who passed away in 1982. The house today, not a thing changed since 1945, is worth around \$2 to 3 million. It pains me to say this, but my Grandmother could pass any day and her house, her belongings, everything my Grandfather worked for 50 years as Doctor, helping others, could be gone. She is not rich, in fact, she has nothing except for her house and her furniture.

I hope that you understand my staunch opposition to the Estate Tax and I hope that

you will vote to repeal the Estate Tax. Thank you for reading this, could you please respond to my inquiry:

Thank you.

ALEXANDER LEVENTHAL.

I hope young Mr. Leventhal, and his grandmother, do not mind that I read his letter before the Senate. I hope that they will accept a verbal response to his letter, and I hope that this Senate will vote to give them the response they and millions others deserve: repeal of the death tax.

This family, separated by hundreds of miles and generations, should not have to worry about the fate of their grandfather's house. No family, no farmer, and no small business person should have to worry about this sort of thing. It is bad enough that they have to lose sleep over the worry, but the loss, as young Mr. Leventhal so accurately points out, can be so much greater. It is a house, it is a farm, it is a business, it is savings, that a family has worked for throughout a lifetime. One lifetime comes to an end, and suddenly the entire family's memories of the past and dreams for the future can come to an end as well.

As we all know, no one individual creates a farm or a business by themselves. The whole family sacrifices to it. They sacrifice by having a parent, or both parents, away when they could have been home. They contribute by seeing money that could have been taken out of the farm or business and spent, instead reinvested into growing the farm or business for the family, and, of course, the family contributes their work. Family members do not punch a time card when they work on their family's farm or in their family's business. Their work is part of being a member of the family. They do not see all they worked for just in earnings—they see much of it in a growing family enterprise.

Yet when one member of that family dies, they see a tax bill for income they never received. For income they never wanted—at least not as much as they wanted to grow their family's farm or business. But because the tax bill is so big and their earnings went back into the family's enterprise, they have to sell the family's farm or small business. Not because they need the money, or even because they want the money, but because the Federal Government in Washington does, and the Federal Government demands they sell it in order to pay those who never worked a day on their farm or a minute in their business or, as in the case of Alexander Leventhal, never lived a day in his grandfather's house in Winnetka.

Where is the justice in this? I am sure Mr. Leventhal would like to hear it.

I have heard some say that taxing at death is the only way some income will ever be taxed. Of course, this is not true. It will be taxed when it is realized—when a farm, a business, a house is sold—when it actually exists for a family. These are not people who dodge

taxes, as the apologists for a confiscatory death tax try to make them. It is nothing less than a desperate attempt to defend the indefensible.

These are people who never saw the income because it never existed for them. It was in their farms and businesses. They should not be taxed on some make-believe basis at a time to be decided by the Government. When they sell their farms and businesses, they will pay tax on it. Until the family decides to, when it is right for the family, what place is it for the Government to come in and tell them that they have to sell what often is the very purpose for which that family worked and wants to continue to work?

I see no justice in that. I cannot believe anyone on this Senate floor could see any justice in that. But most important, no one outside this Chamber—certainly not Alexander Leventhal, his grandmother or any one of millions upon millions of hardworking Americans—see any justice in that.

It is time to repeal the death tax. It has always been unfair. Today, in a time of growing surpluses, it is no longer even necessary. I hope my colleagues will take to heart not my admonition, but that of my letter writer: "I hope that you understand my staunch opposition to the Estate Tax and I hope that you will vote to repeal the Estate Tax."

Alexander, I will and I hope my colleagues will as well.

I believe time has run out. Mr. President, I yield back the remainder of my time.

Mr. MOYNIHAN. Mr. President, I believe our time has expired.

The PRESIDING OFFICER. The Senator is correct.

Mr. REID. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The question is on agreeing to amendment No. 3821. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 46, nays 53, as follows:

[Rollcall Vote No. 180 Leg.]

YEAS—46

Akaka	Durbin	Landrieu
Baucus	Edwards	Lautenberg
Bayh	Feingold	Leahy
Biden	Feinstein	Levin
Bingaman	Graham	Lieberman
Boxer	Harkin	Lincoln
Breaux	Hollings	Mikulski
Bryan	Inouye	Moynihan
Byrd	Jeffords	Murray
Chafee, L.	Johnson	Reed
Cleland	Kennedy	Reid
Conrad	Kerrey	Robb
Daschle	Kerry	
Dorgan	Kohl	

Rockefeller
SarbanesSchumer
SpecterTorrice
Wyden

NAYS—53

Abraham
Allard
Ashcroft
Bennett
Bond
Brownback
Bunning
Burns
Campbell
Cochran
Collins
Coverdell
Craig
Crapo
DeWine
Domenici
Enzi
FitzgeraldFrist
Gorton
Gramm
Grassley
Gregg
Hagel
Hatch
Helms
Hutchinson
Hutchison
Inhofe
Kyl
Lott
Lugar
Mack
McCain
McConnellMurkowski
Nickles
Roberts
Roth
Santorum
Sessions
Shelby
Smith (NH)
Smith (OR)
Snowe
Stevens
Thomas
Thompson
Thurmond
Voinovich
Warner
Wellstone

NOT VOTING—1

Dodd

The amendment (No. 3821) was rejected.

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

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

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, I believe it is the majority's opportunity to offer an amendment.

The PRESIDING OFFICER. The Senator from Utah is recognized.

AMENDMENT NO. 3823

Mr. HATCH. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah [Mr. HATCH] proposes an amendment numbered 3823.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to provide a permanent extension of the credit for increasing research activities)

At the end, add the following:

TITLE VI—PERMANENT EXTENSION OF RESEARCH CREDIT**SEC. 601. PERMANENT EXTENSION OF RESEARCH CREDIT.**

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

Mr. HATCH. Mr. President, this amendment is a simple one. It would permanently extend the research and experimentation tax credit—a tax provision that has been instrumental in helping to keep our economic growth robust over the past decade.

Let me explain why this amendment is necessary.

Last July, this body voted to extend the research credit permanently. Unfortunately, the House version of last year's tax bill included only a five-year extension of the credit. The five-year extension prevailed in conference. Of

course, last summer's tax bill was vetoed by the President.

Fortunately, however, last November, Congress passed and the President signed the Ticket to Work and Work Incentives Improvement Act, which included the five-year extension of the research credit. Therefore, the credit has been extended to June 30, 2004.

And, in 2004, corporate America will have to go through this rigmarole again. This tax credit has been on and off, extended and expired, a legislative certainty or a legislative football almost more times than anyone can count.

Anyone in this body who has been in business for more than 10 minutes knows that planning and budgeting—unlike what we do here in Congress—is a multiyear process. And, anyone who has been involved in research knows that the scientific enterprise does not fit neatly into calendar or fiscal year.

Our treatment of the R&E tax credit—that is, allowing it to run to the brink of expiration and reviving it at the 11th hour—is a disservice to our research entities and, yes, our whole country.

It is time to get serious about our commitment to a tax credit that is widely believed by economists and business leaders to be one of the most effective provisions in creating economic growth and keeping this country on the leading edge of high technology in the world.

This amendment gives us an opportunity to reaffirm our commitment.

A large number of the Members of this body, on both sides of the aisle, are on record in support of a permanent research credit. Indeed, S. 680, the research credit permanence bill that my colleague from Montana, Senator BAUCUS, and I introduced last year, enjoys the support of 26 Democrats and 20 Republicans. In addition, a permanent research credit was included in Democratic alternative to last summer's tax bill, which was supported by 39 Democrats. Moreover, both Governor Bush and Vice President GORE support a permanent research credit.

But, while practically everyone says they support a permanent research credit, it has become too easy for Congress to fall into its two-decade-long practice of merely extending the credit for a year or two, or even five years, and then not worrying about it until it is time to extend it again.

These short-term extensions have occurred ten times since 1981, Mr. President. Ten short-term extensions for a tax credit that most members of this body strongly support. I am not sure if we realize how the lack of permanence of the credit damages the effectiveness of the research credit.

Research and development projects typically take a number of years and may even last longer than a decade. As our business leaders plan these projects, they need to know whether or not they can count on this tax credit.

The current uncertainty surrounding the credit has induced businesses to al-

locate significantly less to research than they otherwise would if they knew the tax credit would be available. This uncertainty undermines the entire purpose of the credit. For the government and the American people to maximize the return on their investment in U.S. based research and development, this credit must be made permanent. And now is the time to do so.

During the ten times in the past 19 years that Congress has extended the research credit for a short time, the ostensible reason has been a lack of revenue. The excuse we give to constituents is that we didn't have the money to extend the bill permanently. Ironically, it costs at least as much in terms of lost revenue, in the long run, to enact short-term extensions as it does to extend it permanently.

With the latest projections of the on-budget surplus, for one year, for five years, and for ten years, this excuse is gone. There is simply no valid reason that the research credit should not be extended on a permanent basis.

Moreover, now is the time to extend the provision permanently. By making the research credit permanent now, we will send a strong signal to the business community that a new era of stronger support for research has dawned.

The timing could not be better because, as I mentioned, many research projects, especially those in pharmaceuticals and biotechnology, must be planned and budgeted for months and even years in advance. The more uncertain the long-term future of the research credit is, the smaller the potential of the credit to stimulate increased research. Simply knowing of the reliability of a permanent research credit will give a boost to the amount of research performed, even before the current credit expires in 2004.

My home state of Utah is a good example of how state economies benefit from the research tax credit. Utah is home to a large number of firms who invest a high percentage of their revenue on research and development.

For example, between Salt Lake City and Provo lies one of the world's biggest stretches of software and computer engineering firms. This area, which was named "Software Valley" by Business Week, is a significant example of one of a growing number of thriving high tech commercial regions outside California's Silicon Valley. Newsweek magazine included Utah among the top ten information technology centers in the world. The Utah Information Technologies Association estimates that Utah's IT industry consists of 2,427 enterprises, employing 42,328 with revenue of over \$7 billion.

In addition, Utah is home to about 700 biotechnology and biomedical firms that employ nearly 9,000 workers. Research and development are the reasons these companies exist. Not only do these companies need to continue conducting a high quality level of research, but this research feeds other industries and, ultimately, consumers.

Just ask the patients who have benefited from new drugs or therapies.

In all, there are more than 80,000 employees working in Utah's thousands of technology based companies. Many other states have experienced similar growth in high technology businesses. Research and development is the lifeblood of these firms and hundreds of thousands like them throughout the nation.

Findings from a study conducted by Coopers & Lybrand show that workers in every state will benefit from higher wages if the research credit is made permanent. Payroll increases as a result of gains in productivity stemming from the credit have been estimated to exceed \$60 billion over the next 12 years. Furthermore, greater productivity from additional research and development will increase overall economic growth in every state in the Union.

Research and development is essential for long-term economic growth. Innovations in science and technology have fueled the massive economic expansion we have witnessed over the course of the 20th century. These advancements have improved the standard of living for nearly every American. Simply put, the research tax credit is an investment in economic growth, new jobs, and important new products and processes.

In conclusion, if we decide not to make the research credit permanent, we are not limiting the potential growth of our economy? How can we expect the American economy to hold the lead in the global economic race if we allow other countries, which provide huge government direct subsidies, to offer faster tracks than we do?

Making the credit permanent will keep American business ahead of the pack. It will speed economic growth. Innovations resulting from American research and development will continue to improve the standard of living for every person in the U.S. and also worldwide.

Simply put, the costs of not making the research credit permanent are far greater than the costs of making it permanent. As we enter the new millennium, we cannot afford to let the American economy slow down. Now is the time to send a strong message to the world that America intends to retain its position as the world's foremost innovator.

I urge my colleagues to support this amendment.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would simply like to say that there is not a word in the remarks of my close friend from Utah with which I would disagree. I have now served 24 years on the Finance Committee, and the last 20 years has been a continued frustration in our disinclination and refusal to make the research and development credit permanent.

It is elemental that research projects go beyond 2, 4, or 20 years. It is ele-

mental and in the interest of society that these projects should take place. We allow the credit to be taken but only in 2-year intervals, as it were, such that there will obviously be some decisions made that it is too risky and maybe they won't do it next time. We always renew it, but at a cost. There is an efficiency cost which is clear.

I, for one, will happily vote in support of the Senator's proposal.

Mr. HATCH. Mr. President, I thank my colleague, who together with Senator ABRAHAM and Senator ROBB, is a cosponsor of this amendment.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I thank my very good friend from Utah for offering this amendment. It is high time that we make the R&D tax credit permanent. It is almost impossible to come up with a reason why it is not permanent. It is like a yo-yo—on for a year and off. Then they have to make it retroactive. It is nuts.

Business abhors uncertainty. If we can make this permanent, that is one uncertainty that can be dispensed with.

Obviously, the United States is going to remain the powerful economic engine in research and development, and the tax credit should be made permanent. It is a key part of that.

I thank my good friend. I am proud to be a cosponsor of his amendment. I hope it passes. Unfortunately, it is on a bill that the President says he will veto. I hope some time between now and then we can find a vehicle and some way to pass this measure.

Mr. HATCH. I am prepared to yield back the balance of our time.

Mr. ROTH. I congratulate the Senator from Utah for raising this very important piece of legislation. As Senator MOYNIHAN said, the two of us have been working continually to try to make this permanent. It is long overdue. I am grateful for initiative on the Senator's part.

Mr. REID. The Senator from Massachusetts desires 3 minutes.

Mr. KENNEDY. Mr. President, I join in commending my friend from Utah on this proposal. We are moving into the life science century with absolutely extraordinary breakthroughs in so many areas.

We want to see a continuation of the R&D from the private sector, with an element of the public sector, as well. I think this Congress has wisely doubled the NIH budget, for example, and also seen an expanded research in other areas of the agencies that we have witnessed in recent times. That has not always been the case in recent times where we have a combination of the opportunity for creativity and expansion in terms of our economy in many fields, particularly the areas of health, are virtually unlimited.

This will make an enormous difference. I congratulate the Senator from Utah. Seeing my friend and colleague, the ranking minority member,

I am mindful of the fact during the height of the Japanese recession, when they were hard pressed in terms of their economic future, what did the Japanese Government do? They tripled the R&D budget. We have seen similar examples in Europe. As a result of these incentives in trying to bring more research and development, we have seen the restoration of important economies of the world.

We have a strong economy and we want to keep it this way. Having this permanent will be a very important contribution in ensuring that. I congratulate the Senator. I ask unanimous consent to be a cosponsor of the amendment.

The PRESIDING OFFICER (Mr. HATCH). Without objection, it is so ordered.

Mr. ROTH. I yield 10 minutes to the Senator from Illinois.

Mr. FITZGERALD. Mr. President, I ask consent to use my 10 minutes to speak on the underlying bill, the estate tax measure.

I think there are a couple of issues that need greater attention in this debate over the Federal estate tax. We have an underlying bill sponsored by Senator KYL that will gradually abolish the tax over the next 10 years. The Democrats offered a substitute that was just defeated. The Democrat substitute purported to raise an exemption that is now available in the code for family businesses and for family farms.

There are two points I want to make. One goes to the issue of exactly how much revenue would be lost by abolishing the Federal death tax, or the inheritance tax as it is sometimes called. Last year, the Federal Government took in \$24.8 billion in death taxes. If we were to abolish that amount, if we were to abolish that estate tax altogether, we would lose that \$24.8 billion. What this debate has been ignoring is that right now when an estate is taxed, the assets passed to the next generation are given, for capital gains purposes, what tax lawyers call "a stepped-up basis." That means any assets your heirs take after the estate tax has been assessed, if they were to sell those assets, they would pay zero in capital gains taxes. When the Federal Government takes in \$24.8 billion in estate taxes, it is actually giving up a whole lot in Federal capital gains taxes.

Senator KYL's proposal abolishes the Federal inheritance tax, or the estate tax, over 10 years, but after the estate tax is gone, heirs who take assets inherited from a previous generation will still have to pay capital gains taxes. They will no longer get that so-called stepped-up basis for capital gains purposes. In other words, if you have a grandfather or a father or mother who bought a farm in 1960 for \$100,000 and that farm is passed along to the next generation and the heirs take that farm and after their parents have died they decide to sell that farm, they will have to pay capital gains taxes on the

difference between the sale price and the original purchase price of their parents. If in the year 2000 they sell that farm that cost \$100,000 in 1960 for \$1 million, they pay \$180,000 in capital gains taxes—20 percent of their capital gain of \$900,000.

If they inherited that farm today and, say, their parents' estate had paid the estate tax, without Senator KYL's bill, if they sold that farm for \$1 million, they would pay zero in capital gains taxes. Senator KYL's bill is switching from an estate tax rate to a capital gains tax rate. There isn't all this loss of revenue that the other side is talking about.

Somebody on the other side of the aisle brought up the example of the Forbes 400 list and said this would be a \$250 billion windfall for them. That ignores that once Senator KYL's bill passes, heirs of the Forbes 400 would all have to pay gigantic capital gains taxes.

I think actually when all is said and done, considering the jobs we will save, the family farms that will be allowed to stay in the families once we have abolished the death tax, family farmers are six times as likely as ordinary Americans to incur the Federal estate tax. That is because they have the classic ill-liquid estate. They may have huge assets in the value of that farmland. They worked all their lives, sweating and paying taxes on every year's income, and buying that farm with aftertax dollars. It may have taken their entire career in farming to finally pay off the mortgage on their farm and then when they die, the Federal Government is going to take 55 percent of that farm, taking away the fruits of their life labor. They cannot hand it down to the next generation; or the next generation, if they want to keep it, has to incur a huge amount of debt to pay off those Federal estate taxes.

What Senator KYL's bill does is change it so what activates the tax is no longer death. What will activate the tax is when somebody decides to sell a capital asset, such as a family farm or a family business. Then they will pay capital gains taxes. As in ordinary circumstances, when you sell a capital asset, you pay capital gains taxes. Selling would activate the tax. Death would no longer be a taxable event. Wouldn't that be better for everyone if that was the case?

Now, the Democrats made very much of their counterproposal to expand the exemption available under 2057 of the Tax Code. There is a larger exemption for family farms and small businesses that is already in the Tax Code. The Democrats' proposal was to expand that to \$4 million for a husband and \$4 million for a wife so that potentially a couple could hand down an \$8 million farm or \$8 million family business. That sounds like a great idea. The only problem is, you have to look at section 2057. When you look at 2057, you realize it is 6 pages long. To be a qualifying

family farm or a qualifying small business under section 2057, you have to go through 13 pages worth of hoops. There are innumerable cross-references to other sections in the code, some 64 cross-references just to section 2032A. That is why, as Senator KYL pointed out, only 3 percent to 4 percent of family farms and small businesses in this country can actually qualify for this section 2057 exemption. It is very hard to qualify for it.

In fact, recently, the tax section of the American Bar Association urged Congress to repeal section 2057 because it leaves too great a potential for lawyer malpractice. It is a very complicated provision of the code. It really only offers false hope. It is a mirage. The counterproposal on the other side of the aisle was really a sham. It offered no relief, no safe harbor. No small business, no family farm could have staked much hope on their counterproposal.

Finally, I think it is important that we adopt Senator KYL's measure because it would get rid of the Federal death tax. If you identify cancer in somebody's body, you don't go in and only take out part of it. You have to get it all so it does not grow back again. If we do not get it all, if we do not get this cancer in our Tax Code, there is always the possibility that a future Congress or administration will come back and try to grow it again. In fact, it was only a few years ago that President Clinton was talking about lowering the estate tax threshold so families who had over \$200,000 would start incurring the estate tax.

I compliment my colleague, Senator KYL, and others who have worked so hard on this provision. For the State of Illinois, which is a major agricultural producer, the third largest ag State in the country, with some of the highest yielding land in the country, we have thousands of family farms and businesses that revolve around farms—all of rural Illinois outside the Chicago area. Nothing has contributed more to the sale of family farms than the estate tax. When the estate tax went in, back in 1916, keep in mind, we were just developing an income tax in this country. We were just developing a corporate system of taxation in this country. It was all different. The exemption in 1916, to keep pace with inflation, would have to be a \$9 million exemption today.

I think it is high time Congress act on this matter. We are simply switching, trading estate tax rates for less onerous capital gains tax rates, and giving the American people, the small businesses and the family farmers, the options to keep their family farms and their businesses within their families for another generation, to continue employing people and keeping our economy productive.

Mr. KENNEDY. Mr. President, I support this amendment to permanently extend the R&D tax credit. I presented a similar amendment last year, and I

commend Senator HATCH's leadership on this important issue.

Many have called this the century of life sciences. We are witnessing extraordinary breakthroughs which are both transforming our quality of life and fueling our economy. The R&D tax credit is a proven effective means to generate increased research and development in the life sciences, and it is a key ingredient in the continued success and growth of the nation's economy.

Much of America's technological leadership today and in the past has been stimulated by federal support for private investment in R&D. The Congress has wisely decided to double the NIH budget. We need to continue to strengthen these investments as a top national priority.

A main virtue of the credit is that it encourages investments in the kind of research that ensures long-term competitiveness. Often, private sector research focuses on closer horizons, and the credit is important in encouraging a longer-term focus as well.

Research and development now generate about 5,000 new jobs a year, and significant amounts in taxes for the federal treasury. Federal Reserve Chairman Greenspan has cited increased productivity as the source of our current record breaking economy. It accounts for 70% of our economic growth.

This record-breaking economy provides an unprecedented opportunity for increased creativity and expansion. Particularly in the health field, our ability to increase our R&D investment will make an enormous difference in our fight against disease and in our efforts to improve the quality of life for so many.

Making the R&D tax credit permanent is essential for encouraging continued investment by private industry. Without a permanent credit, industry lacks the certainty needed to make decisions about continuing investments.

A permanent R&D credit will do more to encourage investment in the long-term research projects needed to keep our companies—and our nation—at the cutting edge of competition in the world economy. In the last session of Congress we were able to extend the credit temporarily again. I am hopeful that this year, with bipartisan support, we can make the credit permanent.

The credit has been extended 10 times since 1981. But this on-again off-again pattern makes the credit less reliable, and diminishes the important incentives that the credit can provide.

I am mindful that at the height of the Japanese recession, Japan has managed to triple its R&D budget. European countries are increasing their budgets as well.

Congress should do all it can to give R&D the top priority it deserves. Stable and substantial federal funding is essential for fundamental scientific research. We must also support private investment in fundamental research across a wide spectrum of disciplines.

In failing to do so, we run the risk of slowing the nation's economic engines.

I am proud of the leadership of Massachusetts on these issues. According to a study by the Massachusetts Technology Collaborative, the state received \$3.45 billion in federal research and development funds in 1997, amounting to 37% of total research and development spending in the state and received the sixth-largest share of federal R&D funding in the nation.

A large number of Massachusetts firms have joined in a letter emphasizing the importance of the R&D credit and I ask unanimous consent that the letter may be printed in the record at the conclusion of my remarks.

The Joint Economic Committee, in two sets of Congressional hearings this year and last year, focused on the important role of science and technology in our society and our economy. Witness after witness testified about the importance of making this credit permanent.

I look forward to continuing work with all of my colleagues to see that R&D receives the top priority it deserves. The current partnership between the government, the academic world, and the private sector is affected, and it deserves to be strengthened.

I congratulate my colleague on this important amendment, I urge my colleagues on both sides of the aisle to support it. Our economic future deserves no less.

Mr. President, I ask unanimous consent that this letter be printed in the RECORD.

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

R&D CREDIT COALITION,
Washington, DC, October 18, 1999.

Hon. WILLIAM JEFFERSON CLINTON,
The President of the United States, The White House, Washington, DC.

DEAR MR. PRESIDENT: While legislators continue the national debate on tax relief, one of the few issues upon which legislators across the political spectrum agree is the importance of a long-term seamless extension of the research and experimentation tax credit (the "R&D credit"). The Senate version of the tax bill, and the Democratic alternatives in the House and the Senate all would have made the R&D tax credit permanent, while the House bill and the House/Senate Conference Report provided for a seamless five year extension of the R&D credit. In testimony before the Joint Economic Committee in June, Federal Reserve Chairman Alan Greenspan stated that if Congress were going to have a research tax credit, it shouldn't be intermittent because companies "can't operate in an efficient manner with government policies incapable of being understood or projected."

The R&D Credit Coalition, representing 87 professional and trade associations and more than 1,000 U.S. companies, applauds this unanimity of purpose and urges you to approve legislation seamlessly extending the R&D credit and increasing the alternative incremental research credit rates by a modest one percentage point, before the end of the first session of the 106th Congress. Expiration of the R&D tax credit on June 30th has caused uncertainty for domestic businesses for pur-

poses of short and long-term planning as well as preparation of financial statements and other reports to shareholders. For these reasons, we believe the seamless extension of the R&D tax credit is critical.

The R&D credit has benefited from broad, bipartisan and bicameral support (including nine legislative extensions) since its inception in 1981. The credit provides U.S. companies with a proven incentive to increase their investment in U.S.-based research and development creating thousands of high wage, high skilled jobs for U.S. workers. A January 1998 study of the economic benefits of the R&D credit by the independent accounting firm of Coopers and Lybrand, LLP (now PricewaterhouseCoopers), shows the credit's significant positive stimulus to U.S. investment, innovation, wage growth, consumption, and exports, all contributing to a stronger domestic economy and a higher standard of living for all Americans. The failure to enact a seamless extension of the R&D credit prior to Congressional adjournment will continue to disrupt R&D planning, and the resulting uncertainty in the business community can only reduce the economic benefits all U.S. businesses and workers receive as a result of the credit.

We thank you for your support of the R&D tax credit, and respectfully request you to make every possible effort to permanently extend the R&D tax credit, and increase the alternative incremental research credit rates, as soon as possible.

Sincerely,

(Signed by 146 Massachusetts companies.)

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I say to the distinguished manager of this legislation, the Senator from Delaware, what we, the minority, would like to do. Everybody over here thinks the amendment of the Senator from Utah is well taken for a lot of different reasons. This legislation was developed in 1981 to spur the economy. It certainly has done that. It has expanded for 5 years. Since then, Congress has extended the tax credit every year or so, leaving terrible uncertainty in the community. This is important. It is good legislation. It is too bad it is not made permanent.

But I do say we will be willing to take this amendment and move on to the amendment of the Senator from New York. If a vote is required on that, we could vote around 2 o'clock. It is my understanding, though, the majority wants a vote on this amendment.

The uncertainty of whether or not this tax will be extended disrupts the marketplace and decreases the amount of revenue spent on research and development. Some companies with long-term research budgets have been forced to delay studies. The research and development credit benefits the entire community, the entire economy. Gains in productivity are not limited to sectors where investments in R&D take place. The gains which spill over are to all sectors of the economy—to agriculture, to mining, basic manufacturing, and high-tech services. Technological innovations improve productivity in industries that make innovations and in industries that make use of these innovations.

This credit would pay for itself and pay for itself very quickly. A perma-

nent research and development credit would be an excellent investment for the Government to make because it would raise taxable incomes enough to more than pay for itself. In the long run, the \$1.75 of additional revenue on a present value basis would be generated for each \$1 the Government spends on the credit, creating a win-win situation for both taxpayers and the Government.

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

The PRESIDING OFFICER (Mr. FITZGERALD). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. REID. Mr. President, we would be willing to yield back our time on this amendment. As I understand it, the Senator from Delaware and the Senator from Utah would. Following that, I ask unanimous consent the vote on this amendment offered by the distinguished Senator from Utah occur at 1:45. During the next 15 minutes, the Senator from New York and the Senator from Delaware, who are offering the next amendment, I ask that they speak for the next 15 minutes, and after the vote they would be able to continue the discussion of their amendment.

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

The Senator from New York.

Mr. SCHUMER. Mr. President, I assume I have 20 minutes. What I would like to do is yield 10 of those minutes to the Senator from Delaware, my co-partner in this, and we will each divide up our 10 minutes as other people come to speak.

Mr. REID. If I could say to the distinguished Senator, I will control the time. You have 20 minutes and you want 10; the Senator from Delaware wants 10?

Mr. SCHUMER. And then we will yield to some others who wish to speak.

Mr. REID. I yield 10 minutes upon the reporting of the amendment to the Senator from New York.

AMENDMENT NO. 3822

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to make higher education more affordable, to provide incentives for advanced teacher certification, and for other purposes)

Mr. SCHUMER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New York [Mr. SCHUMER], for himself, Mr. BIDEN, Mr. BAYH, Ms. LANDRIEU, Mr. DURBIN, Mr. BINGAMAN, and Mr. KOHL, proposes an amendment numbered 3822.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. SCHUMER. Mr. President, I will then take 5 minutes. I would like to take 5 minutes of my time and save the rest for yielding to others.

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

Mr. SCHUMER. Mr. President, this amendment, the Schumer-Biden amendment, cosponsored by Senators BAYH and LANDRIEU, boils down to a simple question.

The simple question is this: Would you rather give tax relief to those whose incomes is above \$8 million as they pass down their estates or would you like to give tax relief to people who make \$40,000, \$50,000, \$60,000, \$70,000 a year and are struggling to send their children to college? That is the amendment. It is plain and simple. It will determine which side people are on.

This estate tax debate is not in a vacuum. There are very simple choices, and this choice is a simple one.

Tuition costs, as this chart shows, have gone up more than any other cost—more than health care and certainly more than double the Consumer Price Index. Average families who are very poor get help, as they should, to send their kids to college. Families who are wealthy do not need it. But the middle class struggles. They know that a college education these days is a necessity, but they also know that it is harder and harder to afford.

The Schumer-Biden amendment is simple. It says if a family is struggling to send their child to college, the Federal Government ought not take its cut on top of that struggle. The amendment is simple. It says it is more important for America to educate its young people in the best institution available than it is to give tax relief to people who are multimillionaires as they pass on their estates.

The Schumer-Biden amendment is simple. It says every time a young man or a young woman does not go to college because they cannot afford it or goes to a college that is not up to their intellectual capabilities simply because they do not have the money to afford tuition, not only does that child lose, not only does that family lose, but America loses as well.

This is a crucial amendment. It is about middle-class tax relief. It is about targeted tax cuts for the middle class in what is perhaps their greatest struggle: affording tuition.

I make a good salary as a Senator. My wife works as well. We have two beautiful daughters, the rocks of our life, age 15 and 11. We are up late at night trying to figure out how we are going to afford our daughters' college education. Imagine those millions of

middle-class Americans who are in a worse predicament. If you make, say, \$60,000 because husband and wife work, and you have \$20,000 or \$25,000 in tuition bills, you are, in effect, poor because after you pay your taxes and your mortgage and all the other expenses, you just cannot afford that college tuition.

This amendment is simple. It says which side you are on because we do not have unlimited money. Are you on the side of those multimillionaires who make over \$8 million a year as they pass their estates down, or are you on the side of middle-class Americans who are doing what we tell them to do, struggling to send their children to college?

From one end of my State to the other, the public is asking us to do something to help them. We know that tax relief should be targeted to the big financial nuts that middle-class people face because they are the ones who struggle the most. The Schumer-Biden amendment does just that. I urge my colleagues on both sides of the aisle to support it, and I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. Mr. President, as I understand it, the Senator from New York has yielded me 10 minutes. I will not use the 10 minutes because there will be others who wish to speak. I yield myself 5 minutes.

Mr. President, the headlines in today's papers say that we are here today discussing estate tax relief, an issue that affects a little less than 2 percent of Americans.

The issue before us is much bigger than that. We are debating the fundamental principles that should guide us in the new era of budget surpluses.

We cannot, we must not, lose sight of that larger picture. If we focus on the narrow picture of a tax cut here, a spending program there, we run the risk of wasting all the hard work and sacrifice that has brought us to the best economic and budget era in our history.

The real task before us today is to set the priorities for this era. This debate over the estate tax is just one part of that debate, but it is an important part.

Let's be clear about this—the amendment I am offering right now, with my friends from New York and Indiana and Louisiana, would repeal the estate tax for all families with estates up to \$4 million, and for all family farms and businesses up to \$8 million. And, it would leave room for a tuition tax credit to help middle class Americans pay for the rising cost of a college education.

Our proposal, the Democratic alternative proposal that Senator MOYNIHAN introduced earlier today, would eliminate those taxes sooner than the Republican plan, and would remove virtually all of the cases from the estate tax roles that have been employed as

examples by the majority in this debate.

The majority would rather send their plan to the certain fate of a Presidential veto than cut the taxes of the family farmers and family businesses they claim to care about.

They would rather have an issue than a tax cut. Their proposal would cut the top tax rates for the richest of the rich first, and delay for 10 years the tax relief for family farms and businesses.

By the time any tax relief gets to those farmers and small businessmen, the Republican plan will cost at least \$50 billion a year—half a trillion over 10 years—effectively squeezing out any hope for deficit reduction, strengthening Social Security, other tax cuts, or any other priorities we will face.

The plan I am offering with my colleagues today offers relief for family farms and businesses up front—and leaves room for other priorities.

The priority I want to stress is the need to help with the spiraling cost of college tuition.

Mr. President, I am glad to join the Senator from New York in offering this amendment to make higher education more affordable for America's families.

As a college degree becomes increasingly vital in today's global economy, the costs associated with obtaining this degree continue to skyrocket. At the same time, the annual income of the average American family is not keeping pace with these soaring costs. Since 1980, college costs have been rising at an average of 2 to 3 times the Consumer Price Index.

Now, in the most prosperous time in our history, it is simply unacceptable that the key to our children's future success has become a crippling burden for middle-class families.

According to the U.S. Department of Education National Center for Education Statistics, the average annual costs associated with attending a public 4-year college during the 1998-1999 school year, including tuition, fees, room, and board were \$8,018. For a private 4-year school these costs rose to an astonishing \$19,970.

And these are only the average costs, Mr. President. The price tag for just one year at the nation's most prestigious universities is fast approaching the \$35,000 range.

In 1996, and again in 1997, I introduced the "GET AHEAD" Act, Growing the Economy for Tomorrow: Assuring Higher Education is Affordable and Dependable. My main goal in introducing this legislation was to help the average American family afford to send their children to college.

Although this legislation never came before the full Senate for a vote, I was extremely pleased that a number of the provisions of the GET AHEAD Act—including the student loan interest deduction and the establishment of education savings accounts—were included as part of the 1997 tax bill.

Additionally, two other provisions of that bill—the Hope Scholarship and the

Lifetime Learning Credit—were based upon the core proposal of my GET AHEAD Act—a \$10,000 tuition deduction.

I have been advocating tuition deduction since I first announced my candidacy for the Senate 28 years ago. Earlier this year, I was pleased that the President made a proposal in his State of the Union Address which would finally fully enact this proposal.

The amendment Senators SCHUMER, BAYH, LANDRIEU, and I are offering today will provide America's middle class families with a tax deduction of up to \$12,000 for the costs of college tuition and fees.

Middle-class families who struggle to send their kids to college should get some tax relief. We should not be giving tax cuts to those who need them least.

The proposal Senator SCHUMER and I are offering is a tax cut that makes sense. It is a tax cut that benefits the middle class, and it is a tax cut that is an investment in America's future.

Mr. President, the dream of every American is to provide for their child a better life than they themselves had. A key component in attaining that dream is ensuring that their children have the education necessary to successfully compete in the expanding global economy.

It is my hope that the proposal we are offering today will help many American families move a step closer in achieving this dream and be able to better afford to send their children to college.

I am proud to join Senator SCHUMER. He and I, together and separately, have been pushing for this relief for middle-class taxpayers to send their kids to college for a long time. I apologize to my colleague, BILL ROTH, for whom I have great respect. He has heard me on this hobby horse about tuition tax credit longer than he cares. I am not suggesting he does not share the same concern, but I apologize. He has heard me make this speech since 1973 when I was a freshman Senator.

As one of the folks in Delaware said to me: BIDEN, when are you going to get off that hobby horse? I am not going to get off the hobby horse because, as the Senator from New York indicated, as a matter of public policy, we should be making it easier, not harder, for children to go to college. We should not make these false distinctions between you are able, maybe, to get to a community college or to a junior college or maybe your State college, but you are not going to be able to get to a private institution.

If a child has the intellectual capacity, interest, and drive and they are able to go to Harvard or the University of Chicago or one of the great institutions in America where we all know you get a little leg up—I had one son graduate from Syracuse Law School and did just as well as the son who graduated from Yale Law School, but the marks of the kid who went to Yale

Law School were no different than the one who went to Syracuse Law School. He got his ticket punched, a ticket to ride. We all know it makes a difference to what school you have access.

We have essentially priced middle-class kids out of the finer institutions. They may not learn any more coming out of those institutions, but they get a heck of a lot more opportunities, which I can say as a graduate of my State university, of which I am proud.

Since 1980, college costs have been rising on average two to three times the Consumer Price Index. Now in the most prosperous time in our history, people still have trouble. Let me give my colleagues a little idea.

According to the U.S. Department of Education, National Center for Education Statistics, the average annual costs with attending a public 4-year college during the 1998-1999 school year, including tuition, fees, room, and board were \$8,018. For a private university, that average cost was \$19,000. If you decide to send your child or your child decides they wish to go to a private university—I had one go to Georgetown, one go to Penn, and one go to Tulane. That is a total of over \$100,000 a year in tuition, which is the reason I have the dubious distinction of being rated as one of the poorest men in the U.S. Congress. I am not poor. I live in a beautiful home in a beautiful neighborhood. I do not think I am poor, but I have \$125,000 in debts for college tuition.

The good news is, as the Senator said, I was able to borrow it because I had a nice enough house to borrow against on a second mortgage. What happens to the average American who has a good income, they have a decent income—the wife is making \$30,000 or \$40,000, and the husband is making \$30,000 or \$40,000. That is 70,000, 80,000, 90,000 bucks a year. After taxes, what do they have? Maybe somewhere between \$40,000 and \$50,000. After they write that first semester tuition check for 15 grand, like I am about to do for Tulane University, they are in pretty deep trouble. Every middle-class American knows that. What I am a little concerned about is we are paying very little attention to this. This is about priorities.

I had a different bill than my friend from New York. Mine was \$10,000 up to \$120,000. His is \$12,000. His has some better features than mine, but we joined forces to make the case. My dad always said to me: Champ, I tell you what, if everything is equally important to you, nothing is important to you, unless you have priorities.

This is about priorities. If the Senator from New York and I had our way and we could make this country as great as it is now without any taxes, we, like everybody else here, would vote against any tax for anything. I am all for no taxes, but what are our choices? Our choices are we cannot cut all taxes. So the question comes: What are we going to do in cutting taxes?

Are we going to spend \$134 billion over the next 10 years to deal with the "death tax" and \$750 billion over the next 10 after that, or are we going to spend \$40 billion over 10 years, as the Senator from New York—

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. BIDEN. I yield myself 30 more seconds. Are we going to spend \$40 billion to provide for the opportunity for this to truly be an egalitarian system, a meritocracy?

When we graduated from school in the early 1960s and late 1960s, and when our parents did in the 1930s, you needed a high school education to make it, and a college education was nice. Now you need a college education just to make it.

So I think people should be able to deduct at least this \$12,000 and get a tax credit. This is a matter of priorities. The priorities should be to take care of the middle class first.

I reserve the remainder of the time.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I yield 2 minutes to one of the cosponsors of the amendment and the author of the provision on teacher certification, the Senator from Louisiana.

Ms. LANDRIEU. Mr. President, I am very pleased to join my colleagues, the Senator from Delaware and the Senator from New York, in cosponsoring this amendment. The part I particularly want to speak about for the 2 minutes that I have is the teacher tax credit.

We have spent much time talking this year about the ways we could improve education in this Nation. We have talked about the important components of improving education, which is a State and local partnership with the Federal Government. But we all agree, even across party lines, that one of the key components of improving education in the Nation is to provide quality teacher training, incentives for teachers to be the very best they can be.

Many studies have shown that the single most important factor in a child learning, in terms of at school in the classroom—families have a great input into that, obviously, but the single most important factor in a child learning at school in the classroom is the quality of the teacher.

This amendment will provide a tax credit for teachers who get a national certification, as we work with our Governors and with our mayors and with our local school boards to help bring excellence in education across this Nation.

So I am pleased to have authored the part of this amendment which would provide this tax credit because if we are going to give tax relief to America, and if we are going to give back a share of the surplus in this way, let's give a tax credit that will help not only teachers but education and our children.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. Mr. President, I suggest that the Senator from New York control the time from here on out and distribute it among those who wish to speak.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. I thank the Senator from Delaware.

Mr. President, I now yield 2 minutes to the distinguished Senator from Indiana, a cosponsor of this amendment, who has worked long and hard on seeing that college tuition be made deductible.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. I thank Senator SCHUMER.

Mr. President, I express my profound appreciation to the Senator from New York, Mr. SCHUMER, for his leadership on this critical issue. It is important to the families and the children of this country that we adopt this important amendment to make college tuition more affordable for all families across my State and the other States that constitute our great country.

A college education today is no longer a luxury, it is a necessity. Helping to make college tuition more affordable, by providing for the deduction of the first \$10,000 of college tuition, will help ease the burdens on many middle-class families across Indiana and elsewhere in our country. It will open up the doors of economic opportunity to the middle class and help to make our Nation a more decent, just, and honorable place as well.

As we move to adopt this important amendment today, we will not only do what is right for our economy but we will also do what is right for our families and for our children. This is an example of cutting taxes in ways that help middle-class families deal with the challenges they face in their daily lives. It is an important issue, one that surely we can accomplish within the context of also moving to ease the burdens of estate taxes upon businessmen, farmers, and others across our State.

I say to my colleague from New York, I again thank him for his leadership. This is a critically important issue. It is one whose time has come. I say to Senator SCHUMER, I cannot think of anything that would be more popular across the State of Indiana than acting today to help make the costs of college more affordable for middle-class families, for students and children across our State, by passing this important amendment. It has been my honor and privilege to work with the Senator on this important issue.

I thank the Chair.

VOTE ON AMENDMENT NO. 3823

The PRESIDING OFFICER. Under the previous order, the hour of 1:45 p.m. having arrived, the Senate will proceed to vote on the Hatch amendment.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to Hatch amendment No. 3823. The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER (Mr. VOINOVICH). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 98, nays 1, as follows:

[Rollcall Vote No. 181 Leg.]

YEAS—98

Abraham	Feingold	Lugar
Akaka	Feinstein	Mack
Allard	Fitzgerald	McCain
Ashcroft	Frist	McConnell
Baucus	Gorton	Mikulski
Bayh	Graham	Moynihan
Bennett	Gramm	Murkowski
Biden	Grams	Murray
Bingaman	Grassley	Nickles
Bond	Gregg	Reed
Boxer	Hagel	Reid
Breaux	Harkin	Robb
Brownback	Hatch	Roberts
Bryan	Helms	Rockefeller
Bunning	Hollings	Roth
Burns	Hutchinson	Santorum
Byrd	Hutchison	Sarbanes
Campbell	Inhofe	Schumer
Chafee, L.	Inouye	Sessions
Cleland	Jeffords	Shelby
Cochran	Johnson	Smith (NH)
Collins	Kennedy	Smith (OR)
Conrad	Kerrey	Snowe
Coverdell	Kerry	Specter
Craig	Kohl	Stevens
Crapo	Kyl	Thomas
Daschle	Landrieu	Thompson
DeWine	Lautenberg	Thurmond
Domenici	Leahy	Torricelli
Dorgan	Levin	Warner
Durbin	Lieberman	Wellstone
Edwards	Lincoln	Wyden
Enzi	Lott	

NAYS—1

Voinovich

NOT VOTING—1

Dodd

The amendment (No. 3823) was agreed to.

AMENDMENT NO. 3822

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

Mr. SCHUMER. Mr. President, how much time do I have?

The PRESIDING OFFICER. Five minutes.

Mr. SCHUMER. I yield two minutes to the Senator from Illinois.

Mr. DURBIN. Mr. President, this amendment by Senator SCHUMER, and others, is a test as to whether this Senate is in touch with the reality of life for American families. The Schumer amendment will allow families across America, worried about paying their kids' college education expenses, a tax deduction of \$12,000 a year. It will say to those paying off students loans that we will give you a tax credit of up to \$1,500 a year on the interest on your student loan, and if you are a teacher who wants to go for extra training to be certified, we will give you a \$5,000 tax credit so you can be the very best in the classroom. Families across America understand the Schumer amendment.

What they don't understand is the alternative on the Republican side, which says we don't need it, that our highest priority is helping the wealthiest people in America be absolved from paying any kind of estate tax.

When we start forming a line to come in the Senate for help, the Republicans put the wealthiest people in America first. The Schumer amendment puts American families first.

Watch for this vote.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, the amendment before us has a fundamental deficiency. It is built on the Democratic alternative to the House tax repeal bill. In other words, this amendment strikes the House death tax repeal and replaces it with the Democratic alternative which was just rejected by a rollcall vote a few minutes ago.

Let me reemphasize once again that the Democratic alternative fails to correct the fatal flaws of the family-owned business deduction. According to well-known members of the American Bar Association, those fatal flaws make it virtually impossible to qualify for the tax deduction.

What I am saying is that those of you who voted against the Democratic alternative should vote against this amendment because this amendment, once again, seeks to substitute the Democratic alternative.

The amendment also contains some interesting ideas on education. But they should be looked at in the context of our other education incentives. One proposal, for instance, is that we allow a tax deduction for higher education costs. If a taxpayer takes that deduction, then he or she will not be allowed to take the lifetime learning credit at the same time. Families are already confused and troubled by the complexity of these educational incentives. So adding a new one with a different tax would further confuse the situation.

Again, we are anxious to move on to a vote. I emphasize to those on my side that this amendment would substitute the Democratic alternative for the repeal of death taxes in substitution of the House repeal.

I urge everyone to vote against this amendment.

I yield my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I will sum up. I believe I still have 3 minutes left.

The PRESIDING OFFICER. The Senator is correct.

Mr. SCHUMER. Thank you, Mr. President.

I beg to differ with my friend from Delaware.

This amendment is a simple one. He said the flaw in this amendment is that

the estate tax relief doesn't go up high enough.

This amendment is an amendment of choice: Very simply, do you prefer to give the very few wealthy in our society even more tax relief or with those same dollars do you want to help middle-class families pay for the ever-increasing costs of tuition? It is that simple. Does someone making \$40,000 or \$50,000 a year, who is struggling to send their son and daughter to college, deserve relief first or does someone who has an estate over \$8 million deserve relief first? It is that simple.

We are in an idea society. We are in a place where a college education is a key to the future. Yet millions and millions of American families cannot afford to send their children to college or they have to send their child to a college that is not up to that child's intellectual ability because the cost is so expensive. The Schumer-Biden amendment says that is the group that needs relief more than those whose estates are over \$8 million.

The choice is stark and clear. Which side are you on? We don't have unlimited money. Do you support middle-class families sending their kids to college or do you support the wealthy in tax relief?

I yield the remainder of my time.

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

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Florida (Mr. MACK) is necessarily absent.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 46, nays 52, as follows:

[Rollcall Vote No. 182 Leg.]

YEAS—46

Akaka	Feingold	Lincoln
Baucus	Feinstein	Mikulski
Bayh	Graham	Moinihan
Biden	Harkin	Murray
Bingaman	Hollings	Reed
Boxer	Inouye	Reid
Breaux	Johnson	Robb
Bryan	Kennedy	Rockefeller
Byrd	Kerrey	Sarbanes
Chafee, L.	Kerry	Schumer
Cleland	Kohl	Specter
Conrad	Landrieu	Torricelli
Daschle	Lautenberg	Wellstone
Dorgan	Leahy	Wyden
Durbin	Levin	
Edwards	Lieberman	

NAYS—52

Abraham	Craig	Hagel
Allard	Crapo	Hatch
Ashcroft	DeWine	Helms
Bennett	Domenici	Hutchinson
Bond	Enzi	Hutchinson
Brownback	Fitzgerald	Inhofe
Bunning	Frist	Jeffords
Burns	Gorton	Kyl
Campbell	Gramm	Lott
Cochran	Grams	Lugar
Collins	Grassley	McCain
Coverdell	Gregg	McConnell

Murkowski	Shelby	Thompson
Nickles	Smith (NH)	Thurmond
Roberts	Smith (OR)	Voinovich
Roth	Snowe	Warner
Santorum	Stevens	
Sessions	Thomas	

NOT VOTING—2

Dodd Mack

The amendment (No. 322) was rejected.

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

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

The motion to lay on the table was agreed to.

Mr. REID. Can the Chair inform the Senate how long that last vote took?

The PRESIDING OFFICER. The vote required 29 minutes.

Mr. REID. Mr. President, we need to do better than that. We have, as I see it, about 18 more votes today, and if each one requires 30 minutes, that is 9 hours right there. I hope we can shorten the time of the votes in the future.

The PRESIDING OFFICER. The Senator from Michigan.

AMENDMENT NO. 3827

(Purpose: To amend the Internal Revenue Code of 1986 to temporarily reduce the Federal fuels tax to zero)

Mr. ABRAHAM. Mr. President, I send an amendment to the desk on behalf of myself, Senators FITZGERALD, HUTCHISON, and GRAMS.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM], for himself, Mr. FITZGERALD, Mrs. HUTCHISON, and Mr. GRAMS, proposes an amendment numbered 3827.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, this amendment, which I described briefly yesterday, embodies the principles of our legislation, S. 2808, which has been introduced by the Senators I mentioned and myself, to temporarily suspend the Federal gasoline tax for 150 days, while holding harmless the highway trust fund and protecting the Social Security trust fund.

America is facing a crisis, and we have to take action now. Yesterday I spoke before the Senate about how, during my travels over the Fourth of July recess, I was struck that people in my State had one thing on their minds, and that was the price of gasoline. It was the most important issue on virtually everybody's mind. It was the second most important issue, and it was the third most important issue.

As I talked with the citizens in my State, I asked them to join me in making sure this issue to suspend the Fed-

eral gasoline tax received more attention in the Congress. I am proud of how they have already responded.

Over the last 10 days, we have had a web site through which people could sign a petition online urging Congress to suspend the gas tax. Literally over 100,000 people have logged on to the site and thousands have already joined this petition drive.

On behalf of these thousands of Michigan citizens—and I know there are millions more across the country who are feeling the pinch at the pump—I am here today to fight for relief on behalf of our consumers, our minivan parents, our farmers, and others for a bill that would suspend the Federal gasoline tax for 150 days.

Yesterday I told this body how citizens throughout Michigan were demanding quick relief from these high gas prices. People from all walks of life have talked with me about this:

Farmers who, according to our Farm Bureau, are likely to see their net family farm income decrease by 35 percent;

A minivan mom with seven kids who now has to give up her minivan because it costs her \$70 to fill up the tank;

Every day men and women who banged on gas cans during a parade in Traverse City, MI, demanding immediate relief from high gas prices;

A Southfield, MI, Amoco dealer who lowered prices by 18 cents a gallon for 2 hours in support of this proposal and found himself surrounded by a quarter mile of cars in every direction waiting to buy his cheaper gas.

This crisis is very real. If we do not take action now to provide some relief for the economy, we will face some very serious economic consequences soon because so many of the important sectors of our economy are being hurt by these high prices.

According to Lundberg Survey, a nationwide survey of gas prices, the city of Detroit suffers under the highest gas prices in the country. These prices are 40 cents a gallon higher than they were at the end of May. That is a 27-percent increase in only 2 months; 63 percent higher than in June of last year. These are unconscionably high gas prices.

Yesterday I discussed several factors that contributed to the rising costs of gasoline in the past months: OPEC's decision to lower production levels; lack of a sustainable and long-term energy policy to lower our dependency on foreign oil; regulations which have required the development of reformulated fuels; and a variety of other things, such as pipeline breakdowns.

Solving those problems will take a lot of time. The solutions to these issues will not bring down the price overnight or in the short term. People across Michigan want to see gas prices lowered. They want them lowered sooner, not later, and that is what this amendment will do. It is the one thing we can do in the Congress to bring down the price of gasoline and to bring it down immediately. So it is my hope that we will support this amendment today.

Let me quickly cover some of its key ingredients, and then I know there are others who want to speak to this issue.

First, as I said, it will provide suspension of the Federal gas tax for 150 days. We estimate this will provide real relief for motorists and consumers, averaging over \$150 of savings for a typical one-car or one-minivan family.

Let me make one thing very clear about what this legislation also will do. It will not threaten the highway trust fund. Yesterday we revised this language again to strengthen even further the elements that will hold the highway trust fund and the road-building money distributed to the States absolutely harmless. I urge my colleagues to examine the legislation to satisfy themselves that that will happen.

First, every penny of the gas tax revenue that would have come into the highway trust fund from the collection of gas taxes will be made up with deposits of non-Social Security surplus funds. This will allow us to ensure that the building projects, the road repair projects, in the States will continue unabated and unharmed by this suspension.

To make sure everyone understands that this is an ironclad guarantee that the States will not lose one penny of highway funds, we have strengthened the hold harmless provisions even more from that which I detailed yesterday by adding additional language which I will enter into the RECORD at the end of my comments.

In short, this accomplishes two things. It keeps the highway trust fund intact by supplementing any lost revenue with surplus dollars, and it simultaneously gives the average working men and women, the consumers of this country, who are paying too much for gasoline today, a 5-month break in paying the Federal gas tax. That will be 18 cents a gallon in every service station in America. It will make a difference for our consumers. It will make a difference for our farmers. It will make a difference for people in the tourism industry. It will be, I think, a timely action on our part.

Back in April of this year, gas prices were 40 to 50 cents a gallon less than they are now. At that time, when we last considered this legislation, we could not pass a proposal that would have lowered the gas taxes. But things have changed. We have seen that that was not a short-lived crisis. We have also seen that OPEC has not responded in a fashion to bring prices more into line with what the American public deserves. For those reasons, I hope our colleagues who voted differently the last go-around will reconsider their vote and join us on this vote today.

Let me close by saying that this legislation is a serious attempt to provide relief to the millions of Americans forced to dig deeper into the family budget for gas to take their kids to school or to get to work at any automobile plant in Michigan—in Flint or

Sterling Heights. Michigan consumers are rightfully outraged by the high price of gasoline. They need relief and they need it now.

If any of my colleagues have any ideas how the highway trust fund hold harmless provisions can be improved and strengthened, I would be more than happy to entertain them and, if necessary, modify this amendment. But the time has come for us to take action and to take it now. In my judgment, this is the only way we can do something that will have an immediate impact on the lives of the working citizens of this country. I hope we will join together to adopt the amendment.

Mr. President, I yield the floor and reserve the remainder of our time. We have several other speakers who are prepared to address the issue.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. FITZGERALD. Mr. President, I join the efforts of my colleague from Michigan, Senator ABRAHAM. I am a co-sponsor of this amendment which would temporarily roll back or suspend the 18.3-cent-per-gallon Federal gas tax.

When I was back home during the Fourth of July recess and was marching in all those parades, I had the exact same experience that Senator ABRAHAM had. I was hearing from my constituents about the high price of gasoline.

After returning to the Nation's Capitol, where we talk about so many other issues, from foreign policy to domestic concerns, we have heard very little discussion about what Washington can do to bring down the price of gasoline at the pumps. That is the issue on the minds of most American citizens.

In the Midwest, in particular—in my State of Illinois, Senator ABRAHAM's State of Michigan, other Midwestern States such as Ohio—the price has been much higher than the national average. Fortunately, in the last few weeks, in Illinois, it has begun to come down. But part of the reason it has begun to come down in the State of Illinois is because the Illinois Legislature took action.

At the end of last month, the Illinois Legislature went into a special session and rolled back their approximately 10-cent-per-gallon, or 5-percent, sales tax on gasoline. They suspended it until the end of the year. That immediately brought a price reduction of 10 cents per gallon at the pump.

But prices are still too high in Illinois. The average price in the city of Chicago is around \$1.80 per gallon. That is, thankfully, down from the \$2.13 a gallon that it was a few weeks back.

But if Senators take the time to go back and look at their legislative correspondence to see what kind of mail they are receiving on this issue from their constituents from around their States, and talk to their constituents, they will see the amount and the type of suffering that people are enduring.

When we introduced this amendment earlier as a freestanding bill, I read several letters from constituents in Illinois that explained the problems they are confronting now with the high cost of gasoline.

We have letters from small business owners. I remember one business owner in particular from McHenry County, IL, who had 10 to 20 employees, depending on the time of the year. His small business was very dependent on transportation, and he was going broke with this high cost of gasoline.

I had a community college student from Shelbyville, down in southern Illinois, write to me and say he was regretting the fact he had turned down offers from several of our State's 4-year universities because he thought that tuition was too high. Instead, he had decided to go to a community college. He thought he would save money and do 2 years at the community college.

But now, because he had a long commute to his community college, it was making that community college unaffordable; he wished he had instead decided to go to one of the 4-year universities. He thinks it might have been cheaper for him.

I read a letter from a family outside the Peoria area where the wife commuted 100 miles a day, round trip, to work, and the husband 55 miles. They estimated they had to drive the kids another 15 miles a day to their soccer games, their baseball games, their band events, and other school extracurricular activities. They were suffering greatly as a result of the high cost of gasoline.

We have talked much in this Senate this past year about the high price of prescription drugs. We are trying to do something about that. I had a senior citizen write me and say: Because of the high cost of gasoline, I now can't afford to drive to the pharmacy to buy the prescription drugs I already can't afford.

There is a lot of real suffering going on out there. We can sit around and wait and do nothing. I do believe eventually those prices will come down. They may not go back down to where they were a year and a half or 2 years ago, but they will come down because production is getting ramped up domestically.

I visited an oil well in southern Illinois last week—in fact, several oil wells. All of a sudden some of these small stripper wells in southern Illinois, many of which were dormant 2 years ago when the price for a barrel of oil was between \$8 and \$10 a barrel; and they could not make money so many of those wells shut down—in fact, there are 32,000 oil wells in Illinois and 9,000 of them were shut down 2 years ago. And now, of those 9,000 wells, 7,000 have come back into production.

That suggests to me, with that kind of activity, eventually that supply is going to be felt across the country, and it will lower prices at the pump. But it is going to take some time. In fact, it is going to take months.

We do need to have a long-term policy to ensure an adequate national supply of oil and of gasoline. In the meantime, we need to provide some temporary relief. Senator ABRAHAM and I and others, Senator HUTCHISON of Texas, have crafted this bill to provide temporary relief for the people who need it most: the small business owners who are going broke, the people who have long commutes to work, the senior citizens who cannot afford to drive to the pharmacy, the community college students who cannot afford the commute to their community college.

There may be some arguments against this bill. I know there are some on the other side of the aisle who get up and vote against any tax relief. On the current measure, on the death tax, many have argued that we should not be giving that relief to higher income individuals, people with large estates. At least there is a colorable claim; that argument has some merit to it. I think it is rebuttable. But that same argument cannot be made with respect to the Federal gas tax. Of all the taxes in our enormous Tax Code, this tax is one of the most regressive and one of the most onerous for low- and middle-income people. They can least afford the high cost of gasoline.

There are not a lot of other things the Federal Government can do to bring down the price of gasoline at the pump. In fact, the only direct instrument we have to affect prices at the pump is to lower or reduce that Federal gas tax. There are no other instruments. We don't have price controls in this country. We had them for a while in the 1970s. That created shortages and rationing, and Ronald Reagan ended the oil crisis by eliminating those price controls. We have a free market system.

What happened is, the price of a barrel of oil got down to \$8 to \$10 a barrel. Production was cut back. Ultimately, we are now suffering from lack of an oil supply. It will come back in this country, but we need to provide relief for people. The argument cannot be made that this most benefits high-income individuals.

I strongly emphasize that Senator ABRAHAM has written this bill so that there is not one cent of revenue lost to the highway trust fund. That is a very important point. We should not hear objections that this is going to hurt road funding in this country. It will have no effect on it. The amount will be charged to the general fund.

I thank my colleague from Michigan, Mr. ABRAHAM, and I yield the floor so other of my colleagues may address this matter.

Mr. ABRAHAM. Mr. President, the cosponsors of this amendment and I are not alone in our support for the suspension of the gas tax. A number of taxpayer groups also believe suspending the tax is good policy, and have endorsed such a suspension. Among these groups are the National Federation of Independent Business, the National

Taxpayers Union, Americans for Tax Reform, and Citizens Against Government Waste.

Let me read from the NFIB letter that states:

For a small company that consumes 50,000 gallons of diesel fuel in a month, the increase in prices in the past year will cost that company an additional \$40,000 per month.

By suspending the gas tax for 150 days, we could save that small business over \$60,000! I ask unanimous consent to print in the RECORD the letters of support from each of these organizations to highlight the board based support for this suspension.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

AMERICANS FOR TAX REFORM,
Washington, DC, July 13, 2000.

Hon. SPENCER ABRAHAM,
U.S. Senate,
Washington, DC.

DEAR SENATOR ABRAHAM: Americans for Tax Reform would like to thank you for your efforts to suspend the Federal fuels tax. At a time of rising gas prices and increasing concern at all levels of government, your approach represents a reasoned common sense solution.

Unlike the Clinton-Gore investigations into anti-trust violations by gas companies and other big government efforts, your approach guarantees that all Americans will see lower prices at the gas pumps.

We can certainly investigate all these other concerns, but working families across the country need lower gas prices today. Suspending federal gas taxes is the quickest and surest way to bring down rising gasoline prices. At Americans for Tax Reform we commend your common sense approach to this very serious problem and look forward to working with you to reduce Al Gore's tax burden on working Americans.

Onward,

GROVER G. NORQUIST.

NFIB,
Washington, DC, July 12, 2000.

Hon. SPENCER ABRAHAM,
U.S. Senate, Washington, DC.

DEAR SENATOR ABRAHAM: On behalf of the 600,000 members of the National Federation of Independent Business (NFIB), I want to express our support for the Abraham gas tax suspension amendment to H.R. 8, the Death Tax Elimination Act. The Abraham proposal would temporarily repeal the 18.3-cent federal fuels tax, providing small business owners quick, short-term relief from soaring fuel prices.

Gas prices have been soaring. According to the U.S. Department of Energy, gas prices, which have increased by as much as 50 percent in the past year, are likely to continue to remain high in many areas of the country.

These high fuel prices are hitting many Americans, especially small businesses, extremely hard. For a small company that consumes 50,000 gallons of diesel fuel in a month, the increase in prices in the past year will cost that company an additional \$40,000 per month. If fuel prices remain high, these costs could eventually be passed on to consumers in the form of higher prices for many goods and services. A 18.3-cent reduction in the cost of fuel would save the company thousands per month.

Your proposal goes a long way towards providing America's small business owners valuable relief from rising fuel costs. We applaud your proactive efforts to reduce this tax bur-

den on small business while at the same time providing a hold harmless provision for the Highway Trust Fund. This will guarantee that full funding will continue to flow to states and local communities for planned infrastructure projects.

Sincerely,

DAN DANNER,
Sr. Vice President.

COUNCIL FOR CITIZENS
AGAINST GOVERNMENT WASTE,
Washington, DC, July 12, 2000.

UNITED STATES SENATE,
Washington, DC.

DEAR SENATOR: On behalf of the 600,000 members of the Council for Citizens Against Government (CCAGW), I urge you to support Abraham-Fitzgerald federal gas tax suspension amendment to H.R. 8, the Death Tax Elimination Act. The amendment will suspend the gas tax for 150 days.

Americans today are struggling with the dramatically high price of fuel. These prices are a result of several factors, many of which have been created by Washington. The federal government imposes 18.4 cents in tax for every gallon of gas and 24.4 cents for every gallon of diesel fuel. In addition to acting as a drag on our entire economy and raising the cost of everything that is shipped by truck, it is especially burdensome on the poor, who pay a larger percentage of their income for fuel.

Several other shortsighted policies have contributed to the current high price of fuel throughout the country. Burdensome regulations on the production and distribution of oil products have driven gas, diesel, home heating oil, and other prices to artificially high levels. These policies have made America more dependent on foreign oil and more vulnerable to price-fixing by the international oil cartel. Imports of foreign petroleum climbed to a record high of \$7.87 billion in January, more than double the level of January, 1999.

One solution to this crisis is to increase domestic production. Since 1992, 36 refineries have closed and there have been no new refineries built since 1976. Despite a 14 percent increase in consumption, U.S. oil production is down 17 percent since 1992. The oil is there, but the policies of our own government have forced us to rely on foreign nations.

Regarding U.S. planning to deal with the high cost of oil, Energy Secretary Bill Richardson stated, "It is obvious that the federal government was not prepared. We were caught napping. We got complacent." Vice President Gore has advocated even higher taxes on fossil fuels.

Please provide temporary relief from the administration's misguided policies. We urge you to take immediate action to reduce this burden on American families and businesses by supporting the Abraham-Fitzgerald gas tax suspension amendment. This vote will be among those considered for CCAGW's 2000 Congressional Ratings.

Sincerely,

THOMAS SCHATZ,
President.

NATIONAL TAXPAYER UNION,
Alexandria, VA, July 13, 2000.
Cesar Condra Senator Abraham.

DEAR SENATOR: On behalf of the 300,000-member National Taxpayers Union, America's largest and oldest taxpayer organization, we urge you to support Senator Abraham's amendment to H.R. 8, the Death Tax Elimination Act, that would repeal the 18.4 cent federal fuels tax for 150 days. This vote will be heavily weighted in our annual Rating of Congress.

As you know, the recent rise in fuel prices has concerned many, from citizens who commute every day to truck drivers and small business people whose livelihoods depend upon stable transportation costs. Although some say that OPEC policies are solely to blame for this problem, an equally if not more responsible culprit has actually been tax hikes. Pre-tax fuel prices often fluctuate up or down during a given period, but historically, post-tax prices have been moving steadily upward for at least two decades.

Consider:

From 1990 through 1999, the pre-tax pump price of gasoline barely changed—from 88 cents per gallon in 1990 to 86 cents as of last November. Over that same period, state and federal gasoline taxes rose by more than half, from 27 cents per gallon to 43 cents.

The 1993 Omnibus Budget Reconciliation Act created a new 4.3-cent-per-gallon fuel surtax for "deficit reduction." This tax has continued, despite the fact that the federal budget is now in surplus.

The Congressional Budget Office estimates that the FY 2000 "on-budget" surplus (not counting the so-called "Social Security surplus") will total \$23 billion. With \$34.3 billion in fuel taxes allocated to the Highway Trust Fund this year, suspending the 18.4-cent tax won't imperil any current programs and won't consume any funds set aside for Social Security reform.

A recent study by the Tax Foundation showed that excise taxes are five times more burdensome for lower-income households than they are for wealthy households. Cutting fuel taxes will allow you to deliver on your longstanding promise to enact policies that particularly help beleaguered low- and middle-income Americans.

While we believe the repeal should be permanent, the Abraham amendment is a badly needed step in the right direction. In doing so, you can also demonstrate to the entire world that our leaders need not rely on the whims of a distant pricing cartel to protect their citizens from economic harm.

Sincerely

ERIC V. SCHLECHT,
Director, Congressional Relations.

The PRESIDING OFFICER (Mr. SMITH of Oregon). Who yields time?

Mr. CRAIG. May I inquire how much time remains on this side of the issue?

The PRESIDING OFFICER. Four minutes 20 seconds.

Mr. CRAIG. This side will retain its time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 7 minutes to the distinguished Senator from West Virginia, Mr. BYRD.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. I thank the distinguished Senator from Montana.

Mr. President, I rise in strong opposition to the amendment offered by my colleague, Senator ABRAHAM. This amendment would repeal the entire 18.4-cent Federal excise tax on gasoline for a five-month period. In my view, this amendment represents bad transportation policy, bad energy policy, and bad tax policy. The amendment would play political games with the American driving public by eliminating the Federal gasoline tax and reinstating it five months later, after the people have gone to the polls in November. The amendment would violate

the trust that we restored to the Highway Trust Fund when we enacted the Transportation Equity Act for the 21st Century. It would, over the long run, put at risk billions of dollars of necessary investment in our Nation's highway infrastructure, while providing absolutely no guarantee that the consumer will see even one penny of this tax reduction at the gas pump.

This will be the third time in four months that the Senate will vote on repealing some, or all, of the Federal excise tax on gasoline. Back on April 6th, the Senate adopted my amendment expressing the Sense of the Senate that the Federal excise tax on gasoline should not be repealed on either a permanent or temporary basis. That amendment was adopted by a broad bipartisan vote of 65-35. That amendment stated explicitly that ". . . any effort to reduce the federal gasoline tax or de-link the relationship between highway user fees and highway spending poses a great danger to the integrity of the Highway Trust Fund and the ability of the states to invest adequately in our transportation infrastructure." Just five days later, the Senate voted against the Motion to Invoke Cloture on S. 2285, again on a bipartisan basis, by a vote of 43-56. That bill would have repealed 4.3 cents of the 18.4-cent gasoline excise tax.

The Senate did the right thing back in April, when it rejected these dangerous proposals to take 4.3 cents of gas tax revenue out of the Highway Trust Fund. This amendment by Senator ABRAHAM, however, is far more dangerous. Indeed, it is four times more dangerous than those proposals because this amendment would repeal the entire 18.4-cent gasoline tax for a five-month period and would deprive the Highway Trust Fund of more than \$10 billion.

I have heard it said that this amendment would in no way endanger the level of spending for our nation's highways. Indeed, some very odd language is included in this amendment. It is basically the same language that was included in S. 2285, which the Senate rejected back in April. That language sought to mandate that spending from the Highway Trust Fund be maintained at the level authorized in TEA-21, even though the revenue is not there to support those funding levels. This is a very neat sleight of hand indeed. But, does anyone truly believe that this is a workable approach over the long term? The chairman of the Surface Transportation Subcommittee, Senator VOINOVICH, clearly does not, I don't believe. My colleague, Senator WARNER, who chaired the Surface Transportation Subcommittee during the debate on TEA-21, certainly does not. Together, Senator WARNER, Senator GRAMM, Senator BAUCUS, and I fought tirelessly for many months to restore the "trust" to the Highway Trust Fund. So, I implore all Members on both sides of the aisle to reject this plan that will compromise that trust.

Mr. President, I believe this amendment is not just reckless transportation policy, it is reckless energy policy as well. These short-term, feel-good tax cuts cannot substitute for a comprehensive energy policy that decreases our dependence on foreign oil. The American people are not naive. They will see right through any proposal to eliminate a tax temporarily until after Election Day, the effect of which they may not even see, only to be followed by reimposition of the 18.4-cent gas tax a few months hence.

Even the "triple A"—the association that represents no one but the people who pay the gas tax at the pump—opposes this amendment.

I ask unanimous consent that a letter from Susan Pikrallidas, vice president for public affairs of the American Automobile Association, in opposition to the Abraham amendment be printed in the RECORD.

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

AAA,

Washington, DC, July 12, 2000.

Hon. ROBERT C. BYRD,
*U.S. Senate, Hart Senate Office Building,
Washington, DC.*

DEAR SENATOR BYRD: When the Senate considers H.R. 8, the Death Tax Elimination Act, an amendment will be offered by Senator Abraham to repeal for 150 days the 18.4 cents federal gasoline tax. AAA encourages you to *oppose* this amendment.

While attractive at first glance, this course of action will do little to address the root cause of our gasoline price problem today, which is a complex combination of many factors. AAA recognizes that many motorists are suffering because of high gas prices. However, any benefits to motorists from reducing the gas tax are offset by the substantial risk that general fund revenues will not cover all losses to the Highway Trust Fund.

Reducing the federal gasoline tax will do nothing to increase fuel supply. That is where Congress and the Administration should focus their attention. To focus legislative efforts on the federal gas tax, rather than the real problem—supply—is a shortsighted, expedient response to the problem.

Despite assurances that revenues lost to the Highway Trust Fund will be replaced with revenues from the budget surplus, suspending the federal gasoline tax fundamentally alters the basic principal governing surface transportation funding. The federal excise tax is a user fee. Motorists are paying for road and bridge repairs and safety programs through the fees paid at the pump.

The Senate has already gone on record in opposition to repealing the federal gas tax. AAA encourages the Senate to do so again by voting no on the Abraham amendment.

Thank you for your consideration of AAA's views.

SUSAN G. PIKRALLIDAS,
Vice President, Public Affairs.

Mr. BYRD. In closing, the Senate has already rejected this policy twice this year. I ask Members to join in driving a stake right through the heart of this ill-conceived, politically motivated vampire of an amendment that would suck the lifeblood out of the highway trust fund.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I thank my good friend, Senator BYRD, for getting to the heart of the matter and explaining how devastating this amendment would be.

I yield to my good friend from Ohio for 2 minutes.

The PRESIDING OFFICER. The Senator from Ohio is recognized.

Mr. VOINOVICH. Mr. President, I also thank the Senator from West Virginia. He has done a good job of explaining why this amendment is not well taken and not good public policy. As Governor of the State of Ohio, I worked to increase our share of highway funding from 79 cents to 87 cents in ISTEA to 90.5 cents in TEA-21. As Chairman of the National Governors' Association, I helped negotiate TEA-21, which provides some substantial support for highway construction and maintenance in this country. It gave us a predictable, reliable source of revenue to get the job done. That's why this proposal really doesn't make sense: it jeopardizes that funding.

If this Senate rejected the proposal earlier this year to reduce the gas tax by 4.3 cents, certainly we should reject any proposal that would reduce it by 18.4 cents.

One point I would like to make is that the real problem we have in this country is that we do not, as Senator BYRD pointed out, have an energy policy. That is the problem. Reducing this gas tax by 18.4 cents really is not going to do anything to correct that problem in the long-term, and it would take the attention of the Senate away from the real issue here, which is, this country does not have an energy policy.

I want to point out one other thing. Under this amendment, we would reduce the gas tax and make it up by using the general revenue fund, the surplus. If I am not mistaken, some of my colleagues would like to use that surplus for proposed tax reductions and some would like to increase spending on various programs. It has been the tradition in this country that people who use the highways pay for them through the gas tax and not with the general fund of the United States of America. It seems to me that those of my colleagues who propose to use the on-budget surplus for health care or for other things, including tax relief, would be offended by that. I think this amendment is bad public policy and I hope it will be defeated overwhelmingly. I thank the Chair.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I yield 5 minutes to Senator LAUTENBERG. I urge him to be brief.

Mr. LAUTENBERG. I thank my friend from Montana. Five minutes, or fewer, will be OK. If we talk about it long enough right now, we won't have any time left to talk.

Mr. President, I hope the American public is looking at this because this is kind of "inside baseball." This is what helps people get from place to place,

get to work on time, get to the hospital on time, get to church on time. We are terribly short of funds altogether for highway repair and development. Everybody knows that. We have about a \$30 billion highway bill. This 5-month hiatus will take \$10 billion away. The worst part of it is that the benefits are not going to go to the public because all of us need to remember that the taxes are remitted by the oil companies—by the companies that, in many cases, are gouging the public this very day. So they can hold on to that and that will make the year-end profit statement look even better. Stock prices will be higher.

The public will not get what they thought they were getting. They are going to get stuck; that is what will happen. They will be stuck in traffic because we won't be able to continue the highway work. Once you stop it, it is very hard to get it started again. Is that what we are going to say to the public? People in this country who want to go someplace may see a nice yellow barrier saying "work halted" on the highway, or an interchange, or at access to factories, their jobs, or other places where the community gathers, including schools, clinics—you name it. Sorry, the work has stopped. We have run out of money. We are certainly not going to take it from the General Treasury, since we are all so fully committed to paying down the debt and keeping this country out of debt. If we are going to give targeted tax cuts, then we ought to talk about those specifically. But to suggest that we want to give the oil companies, the oil producers, an 18-cent-a-gallon tax cut, I think, is really unfair to the public at large. They ought to see through the fog and the smog being created by this.

It is not going to happen, Mr. and Mrs. America. You may feel that you are getting a bargain now, and the distinguished Senator from Michigan—who is my friend—talked about people who responded to a price cut at a gas station. But sometimes you put away money for a later day to pay off a mortgage, or to try to accumulate money for a college education for your child, or to assure there is enough there to pay doctor bills that may fall your way. It may feel good at this moment, but when that highway is all backed up, and smog envelopes the place, and the air quality turns sour, then people will be saying: Now what happens? We didn't get what we paid that money for.

I know this amendment is offered with all good intentions, but if the public is listening, hear what is being said. You get an 18 cent cut in the gas tax so you can give it to the gasoline company. That is hardly the way we want to see things done. America has to pull together and we have to stand against those on the outside of our borders who are drilling oil, and just enough to keep the prices up. When they dial 911, they want America there immediately. That is why we sent over 400,000 of our

best to the Persian Gulf. That is why we did it. So we need help there. I hope they hear the alarm go off here. That will get prices down. I thank the Chair. I thank my friend from Montana for giving me this time.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, how much time remains on both sides?

The PRESIDING OFFICER. The Senator from Montana has 6 minutes 2 seconds. The Senator from Michigan has 4 minutes 20 seconds.

Mr. BAUCUS. I thank the Chair. Mr. President, for all the reasons indicated, I very strongly oppose this amendment. I point out that the opposition to this amendment is very strongly bipartisan. Senator VOINOVICH from Ohio spoke against the amendment and, in a few minutes, Senator WARNER from Virginia, one of the key Senators in writing the TEA-21 program, will strongly oppose this amendment. There is very strong bipartisan opposition.

The second point I want to make is that this is really, in some sense, kind of a disingenuous amendment. It would make Tammany Hall blush. This is an amendment that would lower taxes just before an election, to the effect that it would increase taxes right after election. I tell you, is that what the American public likes us to do? Lower taxes before an election and pop up automatically and increase it after election? Merry Christmas, a new tax. This goes back into effect in 150 days. Thank you, but I don't think that is something we want to do.

In addition, I have heard it said that there is an ironclad guarantee that nothing comes out of the highway trust fund and the dollars will go for highways. Not true. If Congress meets today, tomorrow, or next week, Congress can always change this provision if it is adopted. There is no guarantee that dollars won't go to the States—none whatsoever, to be clear.

Number 3, I find it ironic that here we are on an estate tax bill trying to help farmers and ranchers, and if this 18-cent Federal gasoline tax actually is passed on—I doubt it will be because the oil industry will take advantage—but if it is, what will be the effect? It will hurt farmers and ranchers. Why? It is going to make gasohol comparatively uncompetitive.

Corn producers, wheat producers, and those who need current law to give them a competitive break to produce gasohol and ethanol from corn and from wheat will be severely disadvantaged if this amendment were to have the effect it purports to have. I don't think it is going to have that effect anyway. If it does, that means there is no help to our motorists. Rather, it all goes into the pockets of the oil companies or the jobbers and marketers. There are tons of reasons why this is a bad idea. I haven't the time to go into all of them. But I wanted to give a flavor of some of the problems that this causes. I hope Senators realize what the consequences would be.

I yield whatever time I have remaining to my good friend from Virginia, Senator WARNER.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, I thank my colleague.

Mr. President, may I inquire of the time remaining?

The PRESIDING OFFICER. Three minutes fifty seconds.

Mr. WARNER. Mr. President, it is like the Four Horsemen of the great Notre Dame team—Mr. BYRD, Mr. BAUCUS, Mr. VOINOVICH, and Mr. WARNER—that time and time again comes out on this issue. But it requires the strength of the famous Four Horsemen on the football team because this tax is one that probably—I hesitate to say this, but I am going to say it anyway—is more acceptable to the public than any that I know of because they see this tax translated into things they desperately need by way of road improvements, by way of other improvements, and safety improvements.

How many times do they drive up and down the highways in my State and we see the projects going on. It delays the traffic and they are irritated. But when they go by, they say: When that is fixed it will be better.

These are those dollars that go directly from the gas pump to the project to employment in their States.

Mr. President, I ask unanimous consent to have printed in the RECORD following my remarks a letter from the National League of Cities, National Association of Counties, Council of State Governments, and the International City/County Management Association dated July 12 of this year. It is addressed to our distinguished leaders, Mr. LOTT and Mr. DASCHLE.

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

(See Exhibit I.)

Mr. WARNER. Mr. President, it says in part the following:

On behalf of the Nation's elected State and local government officials, we would like to express our strong opposition to this legislation or any other proposals before Congress to repeal or suspend any portion of the Federal gasoline tax.

Further down in the letter:

It is our understanding that the amendment being proposed . . . would suspend the 18.4 cents Federal gasoline tax for 150 days. As a result of this loss of revenue, States and localities could face significant reductions in spending for transportation planning, highway and bridge repairs, public transit, bike and pedestrian facilities, clean air programs, and most importantly highway safety. Also, without a predictable flow of Federal highway, transit, and aviation funding, States and localities may face more difficulty in long-term transportation planning which will cause projects to be more costly and result in safety concerns.

We learned through the many years that I have been associated with this issue on the Environment and Public Works Committee that planning goes forward years in advance. Contracts are let based on a source of these funds guaranteed by Congress and Federal law. These contractors are not going to risk their working capital. Employers

are not going to risk trying to hire additional people if there remains this constant uncertainty around this tax.

I hope the Senate stands with the Four Horsemen, and that we will be able to protect, once again, the interests of the people with the tax which probably is the least objectionable of all taxes.

I yield the floor.

EXHIBIT I

National League of Cities, National Association of Counties, Council of State Governments, International City/County Management Association

July 12, 2000.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate,
Washington, DC.

Hon. TOM DASCHLE,
Minority Leader, U.S. Senate,
Washington, DC.

DEAR SENATORS LOTT AND DASCHLE: It is our understanding that the Senate may consider an amendment this week which would temporarily suspend the 18.4 cents federal excise tax on gasoline. On behalf of the nation's elected state and local government officials, we would like to express our strong opposition to this legislation or any other proposals before Congress to repeal or suspend any portion of the federal gasoline tax.

We believe such proposals would jeopardize funding for critical transportation improvements. We also oppose the proposal to hold the highway trust fund harmless by paying for the loss of gasoline tax revenue with projected non-social security budget surplus monies from the general fund of the U.S. Treasury. This type of shift could endanger funding for vital state and local priorities such as education, public safety, and healthcare.

We recognize that the rise in gasoline prices is a very important issue facing the nation, but temporarily repealing the 18.4 cents federal gasoline tax will not provide long-term solutions to the problem. It will, however, detrimentally affect our ability to continue vitally needed transportation improvements which will directly benefit our shared constituents.

It is our understanding that the amendment being proposed by Senator Abraham would suspend the 18.4 cents federal gasoline tax for 150 days. As a result of this loss of revenue, states and localities could face significant reductions in spending for transportation planning, highway and bridge repairs, public transit, bike and pedestrian facilities, clean air programs, and most importantly highway safety. Also, without a predictable flow of federal highway, transit, and aviation funding, states and localities may face more difficulty in long-term transportation planning which will cause projects to be more costly and result in safety concerns.

In 1998, we supported the funding guarantees created in the landmark Transportation Equity Act for the 21st Century (TEA 21). TEA 21 not only established a record level of investment in surface transportation, it also established a direct link between the collection of transportation user fees and transportation spending. Any reduction in the current federal gas tax will put this carefully crafted, bipartisan agreement at risk.

Thank you for your consideration in this matter. If you have any questions concerning our views on this issue, please feel free to contact us.

Sincerely,

DONALD J. BORUT,
Executive Director,
National League of
Cities.

LARRY E. NAAKE,
Executive Director,
National Association
of Counties.

DANIEL M. SPRAGUE,
Executive Director,
Council of State
Governments.

WILLIAM H. HANSEL, Jr.,
Executive Director,
International City/
County Management
Association.

Mr. MOYNIHAN. Mr. President, if the distinguished Senator from Virginia will yield for a question, I am sure he knows as he invokes the image of the Four Horsemen that at this very moment the Congressional Gold Medal has been bestowed on Rev. Theodore Hesburgh, the president of the Notre Dame football team, which embodies the spirit of the Four Horsemen.

Mr. WARNER. Mr. President, let's fetch him to the floor if possible. Perhaps he can join us and bless this body.

Mr. REID. Mr. President, on the time under my control, I have a question that I would like to ask Senator BAUCUS, the ranking member of the Environment and Public Works Committee.

The one thing that we haven't discussed at length regarding this amendment is that it would cause unemployment in the country.

Mr. BAUCUS. Mr. President, the rule of thumb is that for every \$10 billion in highway funds 42,000 jobs are created. Those are good paying jobs. These are not service industry jobs. Those are highway jobs.

The effect of this amendment would be to cut the funding of the highway trust fund by \$13 billion over 150 days—roughly 5 months. That is going to mean upwards of at least 50,000 American jobs cut—not there.

Mr. REID. Mr. President, Montana is a very large State. It is a huge State. It is bigger than Nevada. But in addition to Montana being a very large State, we have States such as Nevada which are growing very rapidly. For example, we have one project which is the largest highway project in the history of the State of Nevada costing \$100 million. That money came from this fund.

Is that not true?

Mr. BAUCUS. That is exactly right.

Mr. REID. Had we not been able to complete what we refer to as the "spaghetti bowl," the highway would be locked down for not only the people who permanently live there, but it is on the freeway carrying people all over this country. I-15 is one of the major freeways in this country.

What the Senator is telling me, if I understand it, is if this amendment passes, construction projects such as the one I just referred to in the State of Nevada and the renovations and repairs which go on all of the time on those large segments of highway in the State of Montana would basically be shut down.

Mr. BAUCUS. Not only in Montana, but all across the country because this will cost \$13 billion. I know the proponents like to claim that the \$13 billion would be spent because we take it from other programs. But I point out that \$13 billion translates per 150 days into about \$30 billion a year.

I ask my good friends rhetorically: Where are we going to cut \$30 billion for other programs? I don't think that is going to happen.

Second, even though, if this amendment were to pass—I pray that it does not, but if it were to pass—Congress would probably go into a big scramble. I know my good friend on the Appropriations Committee, Senator BYRD, and Senator STEVENS would say: Where in the world are we going to find \$30 billion in one year? It just isn't there.

Mr. REID. Mr. President, I yield up to 5 minutes to the Senator from New York, the ranking member on the Finance Committee, the manager of this bill.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would first like to respond to the minority leader and my friend from Montana.

I once served as chairman of the Committee on Environment and Public Works. I managed major transportation legislation.

I can say to you that absent this revenue from the gasoline tax, which we imposed under President Eisenhower in 1956, and which built the Interstate Highway System and transformed American society, the transportation programs will just stop. There is no other revenue for it. It is a dedicated revenue. They are planned on. This would be the first time they have been interrupted. A whole industry would be interrupted, not to mention the urban and State planning that goes on; not to mention measures such as the Woodrow Wilson Bridge, which is hugely important to Virginia and to the District of Columbia.

Another point on the matter of the price of gasoline: Over the past two decades the price of a gallon of gasoline, adjusted for inflation, has fallen by exactly a third—from \$1.49 in 1981 to, in those dollars, \$1 in June of this year.

We are not paying more for gasoline. We are paying less for it.

There can be an argument made that the price is too low, but not that we should lower it further and deprive ourselves of the essentials of the transportation infrastructure and construction in this Nation.

Our faithful friend, Dr. Podoff, brought along, as he feels he should, Marshall's Principles of Economics.

In Marshall's "Principles of Economics," the great text at the end of the 19th century, Marshall taught Keynes, who has taught the world, made it very clear, that in situations of shortage such as we are temporarily facing—he was talking about fish, meat; he was

not talking about gasoline—the price to the consumer will not be reduced. This is a proposition that drives from theory and is confirmed now by a century of observation in the aftermath of Marshall's principles.

Consumers will get nothing, transportation departments will get nothing, and the public will get a serious disruption in its basic transportation infrastructure, which is not simply highways, but all the other related modes of transit. This is what we have at issue here. I cannot imagine we will do other than continue a program we have had in place since 1956, a third of a century, with extraordinary results. To stop it now would be, in my view, irresponsible.

Based on what Marshall taught us, repealing the gasoline tax, even temporarily, represents a futile attempt to repeal the laws of supply and demand. This is a somewhat curious activity for my colleagues on the other side of the aisle who often express a strong commitment for market economies both at home and abroad.

Let me add a few other facts about the market for gasoline and other fuel products—facts that are obvious even to those with no formal training in economics.

The increase in the price of a gallon of gas from an average of \$1.15 in June 1999 to a peak of \$1.71 in June 2000—a 56 cent increase—has nothing to do with a 4.3 cent per gallon tax increase, enacted in 1993, or the total federal tax on a gallon of gas of 18.3 cents, neither of which have increased over the past 12 months.

The price of a gallon of gas peaked at about \$1.71 in mid-June and has already declined by about 8 cents. The change in the prices has nothing to do with tax policy and is mostly related to OPEC's production decisions.

In September, 1993, the month before the 4.3 cent tax increase went into effect, the price of a gallon of gasoline was \$1.15. Three months later, after the tax increase, the price was \$1.14.

In 1996, the cost of gasoline increased rapidly from \$1.19 in January to \$1.39 in May—following roughly the same pattern that we are now observing. The Senate debated repeal of the 4.3 cent tax, but fortunately took no action as two attempts at cloture failed. By January, 1998 the price of a gallon of gasoline was back to \$1.19—and in real terms had actually declined a few pennies.

And, as I noted earlier, over almost two decades, the price of a gallon of gasoline in constant (inflation adjusted) dollars has fallen by about a third, from \$1.49 in 1981 to about \$1.00 in June of this year. The reduction in gasoline prices occurred even as the economy expanded almost continuously—92 months in the 1980s and a record setting 112 months in the current expansion, which shows no signs of ending. Over the past two decades the economy, in real terms, has almost doubled, while the unemployment rate has been cut by half.

True, over the past two decades the price of fuel products has fluctuated, often somewhat unpredictably. For example, in 1986 the price of a gallon of gasoline decreased by 36 cents from the beginning to the end of the year. The next year the price increased by 11 cents. While economists often cannot predict, or even explain, energy price volatility, they can tell us the effect, in the short-run, of reducing fuel taxes. The price to the consumer will not be reduced. This is something we know; or it can be said as much as things like this are knowable. For a century, it has been the clearest understanding of the economics profession that under short-run supply conditions, a change, such as a reduction in an excise tax, does not affect the price paid by the consumer.

During a similar debate on gas tax repeal in May of 1996, I also referred to the theories of Marshall and attempted to summarize his wisdom. Here is what I said then:

Marshall took the example—to illustrate short-term supply, a fascinating thing—he took the example of fish. He said, what happens if there is a sudden change in the situation? Weather makes fish more or less available—a nice point—or if there is an increased demand for fish caused by the scarcity of meat during the year or two following a cattle plague. Mad cow disease in the late 19th century. A scarcity of fish caused by uncertainties of the weather These things come. Would outside intervention change the price of fish to the consumer in that circumstance, when there was a fixed supply? The answer from Alfred Marshall is emphatically "no." Students of economics my age will remember this book. It is a very heavy book, but it is still around and it works. What it propounded is very clear.

And now let me state the conclusion as simply as possible. Market values are determined by the relationship between supply and demand.

This is something businessmen know. In 1996, Mr. Mike Bowlin, Chairman of ARCO, had this to say about the matter when he appeared on ABC's "Nightline":

My concern is that there are other market forces that clearly will overwhelm the relatively small decrease in the price of gasoline, and that alarms me, that people's expectations will be that the minute the tax is removed, they want to see gasoline prices go down . . . and that won't happen.

At about the same time—May 1996—I noted, on the Floor of the Senate, the comments of Dr. Philip Verleger, a well-known energy economist. The author of several books on the subject, including *Adjusting to Volatile Energy Prices*, Dr. Verleger was, at that time, quoted in *The Washington Post*:

The Republican-sponsored solution to the current fuels problem . . . is nothing more and nothing less than a refiner's benefit bill. . . . It will transfer upwards of \$3 billion from the U.S. Treasury to the pockets of refiners and gasoline marketers.

In March of this year, when the Senate was considering a change in gas tax

policy, I wrote the following to Dr. Verleger:

I assume that since the economics of a gas tax reduction has not changed—something we have known since at least Alfred Marshall—neither have your views.

He replied the very same day:

In my view, the US petroleum industry is operating at or close to capacity. Thus refiners will be unable to boost gasoline production if the tax [repeal] becomes law. Further, inventories of gasoline are currently very low due to the destabilizing actions taken by OPEC. This means that the supply of gasoline has been essentially determined—totally inelastic in technical terms—through the summer. Under these circumstances, consumers are not likely to see any benefit from suspension or repeal of the gasoline tax.

Dr. Krugman said much the same thing in a March 15, 2000, New York Times op-ed. For Professor Krugman there simply is no getting around the fact that we face a supply problem:

Now suppose that we were to cut gasoline taxes. If the price of gas at the pump were to fall, motorists would buy more gas. But there isn't any more gas, so the price at the pump, inclusive of the lowered tax, would quickly be bid right back up to the pre-tax-cut level. And that means that any cut in taxes would show up not in a lower price at the pump, but in a higher price paid to distributors [emphasis added]. In other words, the benefits of the tax cut would flow not to consumers but to other parties, mainly the domestic oil refining industry. (As the textbooks will tell you, reducing the tax on an inelastically supplied good benefits the sellers, not the buyers.)

It is worth repeating Krugman's conclusion—"benefits of the tax cut would flow not to the consumers but to other parties, mainly the domestic oil refining industry."

We here in Congress know this too, and I suspect that is why the legislation we have before us contains a "Sense of the Congress" section that "consumers immediately receive the benefit of the reduction in taxes." We surely want the consumer to realize some savings, but doubt that they will. The question for this body is whether we should approve legislation that contains what amounts to a concession of failure within its very text. Discouraging.

Finally, I would point out to my colleagues that the Transportation Equity Act for the 21st Century was signed into law less than two years ago. TEA-21 as it is known, is a six-year Federal surface transportation bill that consumed nearly two years of committee action and Floor debate. In the end, the bill passed 88-5 based on the agreement that Federal motor fuel excise taxes would be collected at least through Fiscal Year 2003—the last year of TEA-21's authorization. During the debate on TEA-21, the Senate was afforded the opportunity to repeal 4.3 cents per gallon of the Federal motor fuel excise taxes. By an 80-18 vote, we rejected repeal and instead opted to invest that revenue in our Nation's transportation infrastructure.

Just this past April, the Senate went on record again to reject any type of

suspension of the motor fuel excise tax by a 56-43 vote on the Majority Leader's bill S. 2285, which would have called for a fuel tax holiday of the 4.3 cents for a six month period.

According to figures from the Federal Department of Transportation, if the entire 18.3 cents gas tax were to be suspended for six months, the Federal-aid Highway program could lose an estimated \$9.6 billion in fuel tax revenues.

Mr. President, suspending the Federal taxes on motor fuels will do little or nothing to lower fuel costs. But it will cause considerable disruption to our Federal transportation program, even with a "hold harmless" provision. We ought not set precedents of this kind. They will come back to haunt us another day.

I would caution my colleagues to exercise caution when they propose to undo agreements made by such overwhelming majorities.

Mr. President, suspending portions of the Federal excise taxes on motor fuels will do little or nothing to lower fuel costs. To my mind, that is reason enough to reject this measure.

OPEC's decision last year to restrict supply was the primary reason fuel costs increased. OPEC's future production decisions will be the primary reason gas prices go up or down in the future.

Mr. ABRAHAM. In light of the time situation, I ask unanimous consent to be granted 10 minutes of our leader's time to continue this debate.

Mr. McCAIN. I object.

The PRESIDING OFFICER. The objection is heard.

Mr. ABRAHAM. I yield the remaining time to the Senator from Texas.

Mrs. HUTCHISON. Mr. President, how much time remains for Senator ABRAHAM?

The PRESIDING OFFICER. Four minutes 15 seconds.

Mrs. HUTCHISON. I ask to be notified at 2 minutes because Senator CRAIG from Idaho also desires to speak.

Mr. President, if the highway trust fund were going to be affected at all, I could not be a sponsor of this amendment. But the highway trust fund is specifically held harmless.

We passed a budget resolution in this Senate that said we would give \$150 billion in tax relief for this Nation over the next 5 years. We are talking about roughly \$12 billion of that money that we have already allocated for tax relief for hard-working Americans. That is what will keep the highway trust fund totally whole.

The highway trust fund will not lose one penny. There will be no safety crisis. There will be no stoppage of money going into the flow for the highway trust fund. In fact, this is a tax relief measure because we have had a crisis that was not expected. We have had a crisis with families going on vacation, consumers, people who have to drive to work every day. What about the independent trucker who is now paying \$150

to \$200 a tank more than they have ever paid before because the price of gas is so high?

We must give this temporary relief, as we take longer term measures to try to take our dependence on foreign oil down to a level that is acceptable. Until we do that, we need to give this immediate relief. We have it in the budget to do it. We will not touch the highway trust fund.

The leaders in this effort—Senator ABRAHAM, Senator FITZGERALD, Senator GRAMS—come from States that are particularly hard hit. They are States where truckers are saying they can't meet their contract requirements. They may even lose their trucks.

Mr. President, I urge support for the Abraham amendment.

Mr. ABRAHAM. Mr. President, I seek unanimous consent to be granted 5 minutes of leader time to summarize our amendment.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Reserving the right to object, we need a ruling from the Chair. I am certainly not going to object, but I want to make sure we understand this.

Under the bill, there is 90 minutes given to each leader. Senator DASCHLE has delegated that time for me to control. When we talk about the "leader's time," that is the time about which we speak; is that right?

The PRESIDING OFFICER. The Chair understands in this context that term refers to the 90 minutes granted to each leader.

Mr. REID. The leader's time would be in addition to that; is that right? Each day that we come before the body, there is an agreement that the leader's time is reserved for some future time.

Mr. ABRAHAM. Perhaps I could clarify.

Mr. REID. Let's let the Chair rule.

The PRESIDING OFFICER. Each leader does have 10 minutes under the standing order every day, and that time is referred to also as leader's time.

Mr. REID. The question I ask the Chair: Do we therefore have 90 minutes, plus 10 minutes, or is it just 90 minutes today?

The PRESIDING OFFICER. Ninety minutes plus 10.

Mr. REID. I make sure that the time my friend from Michigan wishes to use is off the 90 minutes, not the 10 minutes.

Mr. ABRAHAM. That is what I sought to clarify a moment ago. I recognize that the two separate time-frames can be confused, and I will modify my unanimous consent request to request 5 additional minutes off the 90 minutes accorded to the leader on my side for debate on this legislation.

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

Mr. ABRAHAM. Mr. President, I appreciate the debate we have had today. The bottom line remains the same: People in America are paying too much

for gasoline. Congress must do something about it. I have heard an array of objections raised by people as to why this can't be done.

Given the actions this Congress regularly takes on appropriations legislation, on budget legislation, on tax legislation, moving gigantic packages in short periods of time when we do our omnibus spending bills, the notion that this legislation somehow doesn't accomplish the mission of protecting the highway fund from diminution is, to me, an inaccurate statement.

The road projects will continue. The legislation ensures that the money will be there. We are aware that we have on-budget surpluses, not touching Social Security, adequate to meet the cost of suspending the gas tax. I believe those claims just simply are off the mark.

This will be a stake through the heart, if this is defeated, of the consumers of America who are paying way too much right now in gasoline prices. They deserve a break. Consumers in my State, for whom I come to the Senate floor and fight every day, deserve that break.

We are paying the highest gas prices in America. Whether consumers drive a minivan back and forth to children's activities, or drive a car to their job, regardless of their needs, in Michigan and across America, I find it hard to believe there is anyplace in America today where Members of this body are not hearing from constituents that the price of gasoline is too high.

We selected 5 months as the duration of this action for a simple reason. That is what we have been told by the spokesperson at the Department of Energy and in this administration is the approximate duration of time it will take for the various efforts they are engaged in to try to bring down the price of gasoline.

I am happy to modify this amendment to a shorter timeframe if we have assurances from anybody that would, in fact, be an adequate period of time for the supply issues to be addressed. That is not what we have heard. We heard it will take longer. We cannot wait longer in Michigan. We want relief now. The one thing we can do as a body is to suspend the Federal gas tax for 150 days.

I believe this is a clear-cut choice. We are here to try to help the men and women, the hard-working families of this country. This is something we can do in a concrete way to help them. It can be done in a fashion that does not undermine the road projects going on.

I believe this price, as a result of the suspension of the gas tax, will translate into prices at the pump. We saw it in our State the other day. As soon as the station brought down prices 18 cents, everybody went to that station for gas. In any station, any oil company that does not bring down its prices in accordance with the passage of this legislation will lose business to the stations that do. That is the way of

supply and demand. That is the way price will work. It will create the competitive market in which the people who abide by the terms of this legislation quickly benefit because they will be the ones with the customers.

It will help the farmers in my State who are right now screaming because of high gasoline prices. It will help the tourism industry in my State which is deeply concerned that the price of gasoline is so high. It will help the automotive industry which is worried that we will once again see a recession caused by a shift from American-made products to foreign imports.

For those reasons, I urge my colleagues to support this legislation. I assure them, look at it yourself; you will see the language is explicit. The highway trust fund moneys will not be diminished if we do this but consumers will gain the benefit with which we sought to protect them in the suspension of this gas tax.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. REID. Mr. President, for the closing debate on the minority side, I yield 2 minutes to the Senator from Montana.

Mr. BAUCUS. Mr. President, to summarize, obviously motorists do not like paying higher gasoline prices. As has been pointed out, it is a product, essentially, of supply and demand—in this case, short supply. That is what has happened.

I must also point out the price of gasoline is starting to come down significantly. According to figures as of July 10, the national average price of gasoline has fallen 3 cents since last week, 8 cents since the recent high on July 12. That is not a lot, but it is better. In the Midwest, prices have fallen by 28 cents since their high on June 19, settling just below the national average, I might add. And for areas in the Midwest using reformulated gasoline, prices have fallen more than 34 cents since their high on June 19, settling just 4 cents above the national average. So prices are already coming down.

No. 2, in real terms we are paying less, one-third less than we were in 1981. That is not an unimportant point. That is very important.

In addition, this is an off-again, on-again tax. This is a yo-yo tax. On again, off again, that is no way for the Congress to conduct fiscal policy. It just is not. Pretty soon, if we do this, we will have off-again, on-again taxes on everything under the Sun. What in the world is going on here? The American people want stability. They don't like the charades, the sleights of hand. Here is a tax that is going to go off just before an election, go right back on right after the election. Come on, give me a break. Is that what we want to do here?

I might add, this is expensive. The Senator says it is not going to come

out of the highway trust fund. Let's put it this way: There is going to be at least \$13 billion lost to revenue, and the Appropriations Committee has the authority to set the ceilings that are spent under the highway program. So it could lower those ceilings. It could come out of the highway trust fund, in effect. When we are out here trying to balance the budgets and figure out how to keep spending underneath the caps, there is a very good chance these dollars will come out of the highway trust fund and not go to the States. It is going to happen.

Finally, this is a program that has the trust of the American people. When they go to the pump and pay that 18.4 cents, they know it goes to the highway trust fund and they know the dollars come back to their States for highway construction, bridges, urban programs, and so forth.

Let's keep a little sanity around here and resoundingly reject this amendment.

Mr. ABRAHAM. Mr. President, I ask unanimous consent that a letter dated July 13, 2000, from Andrew Quinlan of CapitolWatch to Senator LOTT be printed in the RECORD.

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

CAPITOLWATCH,
Washington, DC, July 13, 2000.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate,
Washington, DC.

DEAR MAJORITY LEADER LOTT: On behalf of CapitolWatch and its 250,000 citizen lobbyists, I urge you to support an amendment sponsored by Senator Spencer Abraham (R-MI) to H.R. 8—the Death Tax Elimination Act. Sen. Abraham's amendment would suspend the 18.4 cents federal fuels tax for 150 days. With people in our nation's heartland paying over \$2 a gallon coupled with a record budget surplus, the need has never been greater to suspend such a burdensome tax nor has the means to pay for it been more readily available.

Those who defend the federal gas tax do so on the basis that these taxes go to the Highway Trust Fund and presumably to the safety of our nation's highways. However, Abraham's amendment specifically addresses this concern by stating that it would replenish the Highway Trust Fund with some of the non-Social Security Surplus. The cost of this amendment would be \$6.5 million, or only a little over 12 percent of the current budget surplus minus the Social Security and Medicare Trust Funds.

With record surpluses, a gas tax suspension would be an excellent way to immediately give part of that surplus back to overtaxed Americans. Sen. Abraham's amendment will accomplish two important goals of CapitolWatch. It would return a tax dividend back to hard-working Americans who created our historic economic growth and would keep Washington from spending the surplus on additional pork barrel projects instead of tax relief or debt reduction.

CapitolWatch's 250,000 supporters urge every member of the Senate to support Abraham's gas tax amendment and suspend the gas tax. If you would like more information, please contact CapitolWatch at (202) 544-2600 or visit our Web page at www.CapitolWatch.org.

Sincerely,

ANDREW F. QUINLAN,
Executive Director.

Mrs. FEINSTEIN. Mr. President, I am as upset by the gasoline price spikes as anyone else. I believe they are still very high in California, though prices have come down in my State from the highs they reached in March.

Having said that, I feel obliged to oppose this amendment despite understanding the sentiment behind it. The problem with the amendment is that there is no way to guarantee that a reduction in the federal gasoline tax will be passed on to consumers.

At least that's what the chief executive officers of the three major California refiners told me. Collectively, they produce 70 percent of California's gasoline. Earlier in the year, I called them. None could guarantee that a decrease in the gasoline tax would cause the same drop at the pump. They cited the fundamental problem with supply, and also pointed out that they have no control over other entities in the supply chain.

Price is a function of supply and demand, not taxes and right now, world oil markets are extremely tight, so prices are high. The way to relieve the pressure on the market is to boost supply and reduce demand.

With regard to supply, 14 nations sell oil to the U.S. under a cartel known as the Organization of Petroleum Exporting Countries, OPEC. Like any monopoly, OPEC controls the price of oil by limiting supply. Decreased production in non-OPEC countries like Venezuela, Mexico, and Norway has also contributed to the squeeze.

Since OPEC is not bound by U.S. law, there are only a few things the U.S. can do to encourage the cartel to increase supply. The preferred alternative is diplomacy.

It takes several weeks for production increases to be felt at the pump in lower prices, and California has unique problems affecting its supply. No other State requires the kind of reformulated gasoline that California does. So the gasoline has to be refined in California, and California refiners have had problems—including two fires—operating their plants at full capacity. They are at full capacity now.

As I said a moment ago, this amendment does not solve the problem of high gasoline prices. Under California law, if the federal gasoline tax drops by 9 cents per gallon or more, then the State tax automatically rises to off-set the federal decrease. The law is designed to protect the Highway Trust Fund. I have spoken with members of the California Legislature about this. They do not seem inclined to change the law.

What are our options?

The fact is, we have limited control over supply. Too much of the world's oil is produced elsewhere. The one thing we can control is demand.

The best way to reduce demand is to require that sports utility vehicles, SUVs, and light duty trucks get the same fuel efficiency that passenger vehicles do. If SUVs and light duty

trucks had the same fuel efficiency standards as passenger cars, the U.S. would use one million fewer barrels of oil each day.

This is roughly equal to the U.S. shortfall before OPEC increased production.

The Department of Transportation is responsible for setting fuel efficiency requirements under the Corporate Average Fuel Economy, CAFE, program. About two-thirds of all petroleum used goes to transportation, so boosting fuel efficiency is an important way to wean ourselves off OPEC oil and reduce the price motorists pay for gasoline. Consider, too, the significant environmental and health benefits of higher fuel efficiency.

But CAFE standards have not increased since the mid-1980s. And the situation is made worse by a loophole in the CAFE regulations. SUVs and light duty trucks—which are as much passenger vehicles as station wagons and sedans—are only required to average 20.7 miles per gallon per fleet versus 27.5 miles per gallon for automobiles.

Since half of all new vehicles sold in this country are fuel-thirsty SUVs and light duty trucks, this stranglehold on energy efficiency has produced an American fleet with the worst fuel efficiency since 1980. We are going backwards!

According to the non-partisan American Council for an Energy Efficient Economy, the U.S. saves 3 million barrels of oil a day because of CAFE standards. Close the SUV loophole, as I said a moment ago, and save another million barrels each day.

Overall, SUV and light duty truck owners spend an extra \$25 billion a year at the pump because of the "SUV loophole." Making SUVs and light duty trucks get better gas mileage would save their owners some \$640 at the pump each year when the price of gasoline averages \$2 per gallon.

The bottom line is that eliminating some or all of the federal gasoline tax will not lower prices at the pump. The best way to do that is to reduce our demand. The best way to reduce demand is to increase the gas mileage requirements for SUVs and light duty trucks.

Mr. KOHL. Mr. President, I want to take a moment to discuss my opposition to this legislation repealing the federal gas tax of 18.4 cents.

The rising gas prices of this past spring and summer have been a great concern to many of us across the country, and nowhere has the burden been greater than in my State of Wisconsin where gas prices at some locations peaked over \$2.00 per gallon. Families and businesses have been hard hit by this unexpected strain on their budgets. Everyday activities of work and recreation and summer travel plans have been altered. Fortunately, prices have begun to decline, and we are hopeful that that trend will only continue in the approaching months. This decline is in no small part the result of

the bipartisan efforts of our Congressional delegation to provide relief to our constituents. With many forces at play, we worked strenuously to get to the root of the rising gas price problem.

First, we requested an EPA waiver from the reformulated gas requirements, which many considered to be a minor, yet still contributing, factor to the price increases. We also took the oil companies to task for gouging the consumer at the pump, while enjoying huge increases in profits. We called for a Federal Trade Commission investigation into the causes of spiking prices in Wisconsin and the Upper Midwest and now await the preliminary report. Lastly, we have attacked the main cause of the problem—the coordinated underproduction of oil on the part of OPEC, the organization of oil-producing nations. Fortunately, under pressure from Congress and the Administration, the OPEC nations have agreed to increase their oil output. All these efforts taken together have yielded positive results, with prices dropping by 30 to 40 cents, and certainly we will continue to be vigilant to ensure this trend continues.

Clearly I am very sympathetic to the amendment sponsor's stated goals of providing relief at the pump. But I am convinced that repealing the gas tax is the wrong way to achieve this important goal. Repealing the tax will drastically reduce the funds available for critically needed highway safety and maintenance programs, jeopardizing highway safety and putting other local services at risk by creating budget shortfalls. Moreover, repealing the tax does not guarantee that prices will go down for consumers. In fact, there is a strong likelihood that repealing the gas tax would only deliver more profits to the oil companies without delivering any relief to the consumer.

With the TEA-21 highway bill, we worked hard to guarantee that gas tax revenues would go to states for infrastructure improvements and to make the distribution of those monies fair for Wisconsin. We went from a 92 percent to 99 percent return on the dollar for Wisconsin, and those funds are desperately needed for road, bridge and transit improvements. It would be disastrous to lose transportation money just as Wisconsin, with our short construction season, is poised to start a number of road improvement and expansion projects.

Mr. BOND. Mr. President, I commend my good friend from Michigan on his attempt to address the issue of high gas prices. However, I must oppose his amendment.

The problem with the high gas prices we are experiencing is not the result of the gas taxes, but with the fact that the Clinton/Gore Administration has pursued a long-term consistent energy policy discouraging domestic production of oil, coal, nuclear, gas, hydro-power, etc. The result of this cartel

policy has been to put us over a barrel—an OPEC barrel of oil with resulting high gas prices.

My colleagues offering this amendment have stated that this amendment would hold the trust fund harmless. Once again, I applaud their desire to help the consumers, but violating the "trust" in the highway trust fund is not holding the trust fund harmless.

We cannot risk the tremendous gains we made to ensure that the gas tax was a dedicated tax for a dedicated purpose. This is a true user fee. This is a user fee that works. I urge my colleagues to oppose the Abraham amendment.

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

The Democrat whip.

Mr. REID. Mr. President, I raise the point of order that the pending amendment violates section 311(a)(2)(B) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. If the Senator will withhold, the Senator from Michigan still has time remaining.

Mr. REID. He yielded back his time previously.

Mr. ABRAHAM. I yielded the floor, but I will yield back the remainder of my time.

Mr. REID. I apologize.

Mr. ABRAHAM. May I respond, then, to his motion—or his point of order?

Mr. REID. It is not in order.

Mr. ABRAHAM. Mr. President, I move to waive section 311 of the Budget Act with respect to this amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from Connecticut (Mr. DODD) is necessarily absent.

The PRESIDING OFFICER (Mr. GORTON). Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 40, nays 59, as follows:

[Rollcall Vote No. 183 Leg.]

YEAS—40

Abraham	Grams	Nickles
Allard	Grassley	Roth
Ashcroft	Gregg	Santorum
Bennett	Hatch	Sessions
Brownback	Helms	Shelby
Bunning	Hutchison	Smith (NH)
Campbell	Inhofe	Smith (OR)
Coverdell	Kyl	Snowe
Craig	Lott	Specter
Crapo	Lugar	Stevens
Fitzgerald	Mack	Thompson
Frist	McCain	Thurmond
Gorton	McConnell	
Gramm	Murkowski	

NAYS—59

Akaka	Burns	Domenici
Baucus	Byrd	Dorgan
Bayh	Chafee, L.	Durbin
Biden	Cleland	Edwards
Bingaman	Cochran	Enzi
Bond	Collins	Feingold
Boxer	Conrad	Feinstein
Breaux	Daschle	Graham
Bryan	DeWine	Hagel

Harkin	Lautenberg	Roberts
Hollings	Leahy	Rockefeller
Hutchinson	Levin	Sarbanes
Inouye	Lieberman	Schumer
Jeffords	Lincoln	Thomas
Johnson	Mikulski	Torricelli
Kennedy	Moynihan	Voinovich
Kerrey	Murray	Warner
Kerry	Reed	Wellstone
Kohl	Reid	Wyden
Landrieu	Robb	

NOT VOTING—1

Dodd

The PRESIDING OFFICER. On this vote, the yeas are 40, the nays are 59.

Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote and move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DODD. Mr. President, I was necessarily absent while attending to a family member's medical condition during Senate action on roll call votes 180 through 183.

Had I been present for the votes, I would have voted as follows: On roll call vote number 180, Senator MOYNIHAN's Amendment No. 3821, to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes, I would have voted "aye." On roll call vote number 181, Senator HATCH's Amendment No. 3823, to amend the Internal Revenue Code of 1986, to provide a permanent extension of the credit for increasing research activities, I would have voted "aye." On roll call vote number 182, Senator SCHUMER's Amendment. No. 3822, to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to make higher education more affordable, to provide incentives for advanced teacher certification, and for other purposes, I would have voted "aye." On roll call vote number 183, the motion to waive the budget act with respect to Senator ABRAHAM's amendment 3827, to amend the Internal Revenue Code of 1986 to temporarily reduce the Federal fuel tax to zero, I would have voted "no."

The PRESIDING OFFICER. The Senator from New Mexico.

AMENDMENT NO. 3828

Mr. BINGAMAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN], for himself, Mr. KENNEDY, Mrs. MURRAY, Mr. DODD, Mr. KERRY, Mr. SCHUMER, and Mr. DORGAN, proposes an amendment numbered 3828.

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

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

The amendment is as follows:
(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction and expand education initiatives, and for other purposes)

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—
"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—
"(i) the applicable deduction amount, plus
"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—
"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over
"(ii) the sum of—
"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus
"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—
(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. APPROPRIATIONS.

There are appropriated, out of any money in the Treasury not otherwise appropriated, the following amounts:

(1) \$1,750,000,000 to carry out class size reduction activities in the same manner as such activities are carried out under section 310 of the Department of Education Appropriations Act, 2000.

(2) \$2,200,000,000 to carry out title II of the Elementary and Secondary Education Act of 1965 and title II of the Higher Education Act of 1965.

(3) \$250,000,000 to carry out sections 1116 and 1117 of the Elementary and Secondary Education Act of 1965.

(4) \$1,000,000,000 to carry out part I of title X of the Elementary and Secondary Education Act of 1965.

(5) \$325,000,000 to carry out chapter 2 of subpart 2 of part A of title IV of the Higher Education Act of 1965.

(6) \$1,000,000,000 to carry out part B of the Individuals with Disabilities Education Act.

(7) \$3,000,000,000 to enable the Secretary of Education to carry out a College Completion Grant Program.

(8) \$150,000,000 to carry out part D of title I of the Elementary and Secondary Education Act of 1965.

(9) \$1,300,000,000 to carry out title XII of the Elementary and Secondary Education Act of 1965.

Mr. BINGAMAN. Mr. President, this is an amendment I offer on behalf of myself, Senators KENNEDY, MURRAY, DODD, KERRY, SCHUMER, and DORGAN.

It will do a fairly simple thing. It will provide for the relief from estate tax that is proposed as the Democratic alternative on which we voted earlier today so that there will be a substantial reduction in the amount of estate tax over a period of time. It would, however, take some of the additional revenue that would not be going to estate tax relief under the Republican plan and would dedicate that instead to education.

This is an important issue. This is an amendment, as were several others we voted on already, that relates to our priorities and what we would like to do with revenue over the next several years, how much of it should be returned, to which group of taxpayers, how much should be spent on needs we have here in the country.

Those of us who are proposing this amendment believe it should be a higher priority for us to improve our schools and the future of all of the children in this country—rich and poor, black and white, metropolitan and rural—than it is to assist inordinately a relatively small group of people beyond the \$8 million that is provided for as an exemption from the estate tax under the Democratic plan.

The amendment makes a commitment to invest some of the savings from the elimination of the Republican estate tax proposal into our public schools. The amendment would guarantee that parents and communities have the support they need to provide

every child with a good public education, to send every qualified student to college.

I was reading the paper yesterday. I noticed that the first day of the Republican National Convention has the theme of "leave no child behind." That is a worthy theme. I commend them for adopting it. I believe this amendment could be characterized as the "leave no child behind" amendment. Instead of dedicating huge resources toward providing very wealthy individuals with a tax break—I think it has been discussed several times and is agreed to by all, the Republican plan does provide over \$100 billion of tax relief over the next 10 years, \$750 billion over the following 10 years—instead of providing that much in the way of tax relief for the very wealthiest in our society, the amendment ensures that small businesses and family farms receive a significant tax break. It also provides funds for programs that have been proven to improve student achievement in public schools, to assist students seeking postsecondary education.

Let me clear up one misconception I have uncovered in my home State of New Mexico. I spoke to one of my good friends there this last week. He said: I don't see why you object to repeal of the estate tax. It does not involve a significant amount of Federal revenue. It is mainly an irritant to people to have an estate tax or to pay an estate tax.

What we have been talking about with the Republican proposal is \$100 billion over the next 10 years, \$750 billion over the following 10 years. We are spending in this current fiscal year \$14.4 billion total on elementary and secondary education in this country. That is Federal money. We are talking about tax cuts in the Republican plan which are substantially greater than the amount the Federal Government is spending on education each year. It is an important item. In my view, it is very much a statement about our priorities.

One of the critical elements in this amendment is school construction. We would fund a program to increase safety and decrease overcrowding in our schools. We would provide \$1.3 billion in grants and loans for urgent repair of 5,000 public elementary and secondary schools in very high-need areas. These programs would provide over \$200 million to my home State of New Mexico where current estimates for school repair and modernization approach \$2 billion.

Accountability: We would support tough accountability for results by setting aside \$250 million for title I accountability grants. That is something we have been trying to do at several points in this session of Congress. We still have not succeeded. That would be accomplished if we adopted this amendment.

Dropout prevention: The amendment provides crucial support for programs designed to prevent students from

dropping out of school. This is a vital issue in my State, particularly for the Hispanic community. Many of our Hispanic young people do not complete high school. The percentage of people who do complete high school is appallingly low. We need to deal with that. It is a crisis situation.

Teacher quality: Senator KENNEDY has led the way on trying to improve teacher quality in this session of the Congress. This amendment would provide \$2.2 billion for teacher quality programs so we can ensure that every child is taught by a qualified instructor.

Class size: We would continue progress in achieving smaller classes by providing \$1.75 billion to fulfill our commitment to hire 1 million teachers to reduce class size in the early grades.

Afterschool programs: Again, we would try to expand those by adding \$1 billion to that funding.

Meeting our commitments to special education: Again, we would try to add a billion dollars in this amendment for the IDEA funding, which I know many Members of this body, both Democrats and Republicans, support.

Affordable college opportunities: Higher education makes a huge difference in earnings and general mobility, even more in subsequent generations of a family. This amendment provides \$3 billion for college opportunity tax credits. It would increase funding for the GEAR UP program by \$325 million.

I know some critics say this amendment is not related to the underlying tax reduction. I point out that exactly the opposite is true. The real issue for us is, what are our national priorities? Are we going to reduce the revenue coming into the Government by enormous amounts here in order to assist those who are wealthiest in our society, at the expense of adequately funding these education programs that I believe are desperately needed?

The truth of the matter is that Americans want better educational outcomes for their children, not more tax cuts for the wealthy. I challenge anyone to pose the option before us to the voters: Should Congress exercise its leadership by providing \$50 billion in tax cuts to the wealthiest 2 percent of the population each year? Or should Congress, instead, exercise its leadership by using some of that revenue to improve the educational outcomes in our public schools? I believe the American public is clear in their answer on that.

I urge my colleagues to support this amendment.

I will yield the remainder of my time to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President I yield myself 5 minutes.

Earlier today, we had an excellent presentation made by the two Senators from North Dakota about the Democratic alternative. In those presentations, they pointed out that the arguments made on the other side about

the importance of changing the estate tax so it addressed the needs of family farms and small businesses would be addressed in the Democratic alternative.

The basic Republican position is to hold those small family farmers hostage until they get what is the "big apple," which will provide some \$700 billion to the wealthiest individuals in this country; 2,400 taxpayers will get \$300 billion in tax relief. The Forbes 400 families will get, effectively, \$250 billion.

As the Senator from New Mexico has pointed out, this is an issue of our priorities. What his amendment says is that we can address the particular needs of the family farms and small businesses, and rather than use all the other kinds of revenues, out of the difference between the \$64 billion and the \$104 billion of the Republicans, we can take \$11 billion of that this year and use those scarce funds in order to try to meet the educational needs of the children of this country. That is what this is about.

As was pointed out by the Senator from New Mexico, this is really a choice about priorities. Are we interested in providing tax breaks for the wealthiest individuals in our society, or are we interested in investing in the children of our country? We will have an opportunity to address that in just a few moments.

What we have seen in the past decade is an explosion in the number of children who are attending grades K through 12—going from 46.4 million in 1990 all the way up to 53.4 million in the year 2000. At the same time, we have seen a rather dramatic reduction in Federal support for elementary and secondary education from the 1980s; in 1980, 11.9 percent out of every dollar spent came from the Federal Government, and this was down to 7.7 percent in fiscal year 1999. We have also seen this lowering in higher education. We addressed this issue in the Schumer amendment earlier—unsuccessfully. But we had a debate on it. This measure addresses this differential in elementary and secondary education.

It is fair enough to ask whether the substance of this amendment will make very much of a difference to the children in this country. Once again, we have the most recent reports and the most recent studies that have been done by the Congressional Research Service that point out, as of the very end of June of this year, their evaluation of what has happened with smaller class sizes in California.

California's class size reduction shows that reducing class size improves student achievement. A study of the first 3 years of class size reduction in California shows that smaller classes have boosted student achievement in communities across the State for the second year in a row. It says the evaluation shows that though students in the most disadvantaged schools were more likely to be in larger classes and

have less qualified teachers, students in smaller classes still outperform their peers in larger classes, even with less-qualified teachers. These students could be performing even better if all the children in those schools have fully qualified teachers and smaller class sizes.

That is exactly what this amendment does. I don't know how often we have to bring in the latest evidence. Here is the latest evidence, which shows students will perform better with smaller class sizes and better trained teachers. This amendment also provides after-school programs with tutorial, tough accountability standards, dropout prevention programs, a billion dollars for special needs in IDEA, and a modest program to try to address the \$112 billion necessary for school construction—you make a difference when you invest in the children of this country. We are here to say that we believe one of the priorities of American families ought to be in using this money to invest in the children and not to provide a windfall tax break for 2,400 of the wealthiest individuals in this country. That is what this vote is about.

I reserve the remainder of my time.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. LOTT. Mr. President, I will submit a unanimous consent request, and I make the request that the time already used on this amendment would not count against the time we are fixing to ask for in this unanimous consent.

I ask unanimous consent that the time between now and 6:30 p.m. be equally divided in the usual form between the two leaders and the following amendments be debated for up to 20 minutes, equally divided, in the following order:

BINGAMAN, on education; ROTH, on phone tax; GRAHAM, on Medicare; GRASSLEY, on farmers; BAUCUS and KERREY, regarding the KidSave matter; GRAMS, on Social Security.

I further ask unanimous consent that at 6:30 the Senate proceed to a series of votes in relation to the above-listed amendments in the order offered, with 2 minutes of debate equally divided for each amendment prior to each vote.

Mr. REID. May we add that after the first vote, each vote be 10 minutes?

Mr. LOTT. Yes.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. I thank my colleagues for their cooperation. This is the only way we are going to be able to get through this list. This is a good way to do it. In light of the agreement, the next votes will be in a stacked sequence at 6:30. We will try another stacked sequence of six at that time. If we can proceed on this basis, we can get this work completed at a reasonable time tonight.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRAMM. Mr. President, I yield myself 10 minutes, and I will yield 10 minutes to the distinguished Senator from Arkansas.

The PRESIDING OFFICER. The Senator's time is limited to a total of 10 minutes under the agreement just reached.

Mr. GRAMM. I can live with that. The world won't come to an end if I don't speak for 10 minutes. As I understand it, the agreement on the time would not include this amendment.

The PRESIDING OFFICER. The time already used.

Mr. GRAMM. Then I will take 5 minutes, and I will yield 5 minutes to my colleague.

Mr. President, I could not help but hear Senator KENNEDY talking about the need for education. I would like to remind my colleagues that we and a Republican Congress spent more on education last year than the President asked for.

Our colleague from New Mexico talks about priorities. Bill Clinton, in his budget, calls for over a trillion dollars of new spending over the next 10 years. Not one Democrat raises any concern about spending the surplus. We propose \$100 billion to eliminate the death tax, one-tenth the amount Bill Clinton wants to spend on new programs, and they are up in arms, outraged.

Now, this is about priorities. What are we trying to do? We are trying to eliminate a situation where, every day, working Americans build up farms and build up businesses with sweat equity. They save and sacrifice, and they work long hours. They pay taxes on every dollar they earn. And then, when they die, the Government comes in and forces their children to sell the business or sell the family farm, and we think it is wrong. We think it is un-American, we think it is immoral, and we are going to eliminate it.

When you get down to the bottom line, there are two reasons our Democrat colleagues disagree. Number one, our Democrat colleagues exactly within the context of this amendment say: Look. Force people to sell the family farm when papa dies. Force people to sell their business because by them giving that money to the Government, the Government can spend it better. We don't agree. We think families can spend it better—not the Government.

The second argument is an argument we often hear from the Democrat side: We are talking about rich people. These are rich people.

I don't understand our Democrat colleagues. They profess to love capitalism but they hate capitalists. Many of them are rich but they hate rich people.

Let me try to boil this down to its basic point because I only have a couple of minutes. The only thing I was ever bequeathed in my life and ever will be was when my great-uncle Bill, my grandma's brother, left me a cardboard suitcase full of yellow sports clippings. If it had been baseball cards, I would be a rich man today.

Our agriculture commissioner in Texas owns a ranch that her family worked for four generations. When her dad died, she had to sell a third of that ranch to pay a death tax.

How does that help me? How did forcing her to sell off her family's ranch that had been in her family for four generations help me or help my family? How does tearing down one family build up another? We don't think it does.

That is what this issue comes down to. We believe when people work, build up a business, or build up a farm, or build up assets, and they pay taxes on it, that it ought then to belong to them and to their children, whether they are rich or whether they are not rich.

I think it is important to note that our colleagues, when they use all of those little examples, leave out one important thing. Over the next 10 years, the revenues collected on this tax are going to quadruple. Why? Because of all of those teacher retirement programs. Many college professors are going to retire with \$1 million in their investment accounts. I thank God for it. If they die before they can spend it, under current law, their children are going to end up having to give part of that retirement program to the Government. I think it is absolutely wrong and outrageous.

We are down to making a choice. They say don't eliminate the death tax—just raise the cap a little. Why do we need to eliminate it? When you have a cancer, you don't cut out half of it. You cut out the whole thing.

Have we forgotten that when Bill Clinton was writing the 1993 tax bill he floated trial balloons about lowering the deduction from \$600,000 to \$200,000?

Does anyone doubt, if we don't repeal the death tax and if we ever have a Democrat President and a Democrat Congress again, that the first thing they are going to do is lower the deduction back down to the point where ordinary working families, farmers, ranchers, and small business people will pay this tax? I don't doubt it. I want to cut it out by the roots.

That is what this vote is about.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I request the Chair to notify me when I have 1 minute remaining of my 5 minutes.

This BINGAMAN amendment is a diversion from an important debate on the elimination of the death tax. If you can't change people's minds, sometimes you want to change the subject. That is what the Democrats seek to do by this list of amendments.

We had an education debate. We spent 8 days on the Elementary and Secondary Education Act. I am ready to return to that. I think we should. The majority leader has offered the opportunity to return to the ESEA debate just as we did on DOD authorization. Let's do it next week. But let's limit it to germane amendments.

The reason we are not on the Elementary and Secondary Education Act is because the Democrat side offered amendment after amendment that had nothing to do with education. I suggest if you want an education debate, let's do it on ESEA. Let's not do it on the elimination of the death tax.

The death tax is growing increasingly unpopular with the American people. It is for obvious reasons. They realize it is fundamentally wrong. They know double taxation when they see it. They know if they paid income tax, if they paid capital gains tax, and if they paid sales tax, that it is absolutely, fundamentally, inherently wrong to make death another taxable event.

That is what we are wanting to do with this legislation, eliminate it—not refine it, not tinker with it, not raise the cap but eliminate the death tax once and for all because it is wrong.

The American people are increasingly opposed to the death tax because they realize that it penalizes success; that the American way is to reward success. The death tax penalizes hard work. It penalizes savings, and it penalizes investment.

Senator BINGAMAN, the distinguished Senator from New Mexico, who I have the greatest respect for, says: Let's not eliminate it; let's just tinker with it, and take the savings—the so-called savings—and put it into education.

We have increased spending on education.

But it would seem to me the logic is rather ironic; by putting it on the elimination of the death tax and saying we want children to be better educated because we want them to use that better education so they can be successful, but don't be too successful because, if you are, we are going to punish you when you die for the success you have achieved.

The Bingaman amendment says to young Americans that it is OK to dream but don't dream too big because when you die we will punish you.

The turn of the century was a period appropriately dubbed "the age of innocence." Millions of immigrants came to this country. They came so fast that we couldn't build ships enough to bring them into this country. They came with a dream. Some stayed in New York, others went to Detroit, Pittsburgh, and other industrial cities. But they came with one goal in mind: to succeed with no limits, no caps, no punishing economic thresholds, and, most importantly, no charade.

That is why they came here. They knew that life was too short and their families too precious to continue living under oppressive governments.

I ask my colleagues: Do you think we are fostering the same dream that existed 100 years ago by keeping the status quo?

My esteemed colleague from New York, Senator MOYNIHAN, said this morning that it is a tax that has served us well. That is the basis of this debate. If you believe that the death tax

has served this country well, then you certainly don't want to eliminate it. If you believe, as I believe, as Senator GRAMM believes, and as I believe most Americans believe, that it is fundamentally un-American, then you want to eliminate it.

Senator GRAMM is absolutely right. It is a cancer. It is the cancer that you don't just trim back. It is a cancer that must be removed from the body politic and from our public policy.

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. BROWNBACK. Mr. President, I would like to reserve that last minute, if I might.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I yield myself 3 minutes and then the remainder of the time to the Senator from Massachusetts.

Let me respond to a couple of statements that were made.

First of all, this amendment was referred to as a diversion because it tries to bring into this debate the discussion about education and what we ought to be investing in education. Hopefully, we can persuade the Senate to take some of the revenue that the Republican estate tax repeal proposal contemplates eliminating and put it into education.

I do not see it as a diversion at all. I would love to have us back on the Elementary and Secondary Education Act. We had that act before us. We offered some amendments. Those amendments were Democrat amendments. One was for class size reduction. We talked about teacher quality. We had an amendment on that. It was pending, in fact, at the time the bill was taken down by the majority leader.

I hope very much that next week we can go back to ESEA and have more debate on that. But regardless of whether we are able to do that, I think it is important that we consider and adopt this amendment as a statement about what we think the priorities of this Nation are.

I do not shy from discussing the estate tax repeal proposal that is before us. In my State, frankly, the Democratic alternative, in my view, is a very enlightened and generous proposal which would substantially reduce the estate tax.

It would reduce to fewer than 100 estate tax returns that would be filed in my State each year. That is the estimate I have received. It is something I think I can be proud to cosponsor and support.

I do not see why we have to go the full route the Republicans are proposing, as the Senator from Massachusetts said, and eliminate this tax entirely for those 2,400 wealthiest Americans. I do not think we are visiting any hardship upon them by maintaining in place some estate tax.

Let me get back to the subject of my amendment, which is education. People of this country support more investment in teacher quality, more investment in reducing the class sizes, more

investment in eliminating or reducing the number of students who drop out of our schools before they graduate, more investment in accountability of our schools so we can be sure the schools are performing to standard, and more investment in school construction. There are enormous needs in all these areas. This is an opportunity to address those enormous needs.

I urge my colleagues to support this amendment. I think it would be a major statement of our priorities. We would not, in fact, leave one child behind if we do this.

I yield the remainder of my time to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, as I understand, I have 8 minutes; is that correct?

The PRESIDING OFFICER. The Senator has 3 minutes 30 seconds.

Mr. KENNEDY. Mr. President, I yield myself 2½ minutes.

As the Joint Tax Committee pointed out, as printed in the New York Times today, according to the data, 95 percent of the roughly 6,000 farmers who paid estate taxes that year would have been exempted under the terms of the Democratic plan, as would 88 percent of the roughly 10,000 small business owners who paid the tax. That responds to my good friends from Texas and Arkansas.

I understand they want to protect any tax loophole that is in there. We have a billionaire tax loophole that has permitted billionaires to leave the country, renounce their citizenship, and pay no tax at all. They have defended that in the past. The fact is, the wealthiest individuals are still going to get \$150 billion in tax breaks.

All we are saying is that it is more valuable to invest in the education of the children of this country than to give the 400 richest families in this country \$250 billion. That is what this amendment does. The 400 richest families, according to Forbes magazine, get \$250 billion; 2,400 families get \$300 billion. We are saying, \$150 billion for them.

We need to get to what is essential to our national interest, and that is children. It is a matter of priorities. They want to protect the billionaires' tax loophole; they want to protect the 400 wealthiest families in this country. We want to be debating the minimum wage this afternoon. We want to debate education and education funding.

This chart shows where the Republican Party has been in the last 7 years on education. I ask unanimous consent to have it printed in the RECORD.

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

REPUBLICAN HISTORY OF CUTTING EDUCATION FUNDING IN APPROPRIATIONS BILLS

Fiscal year 1995 rescission (House bill): -\$1.7 billion (below enacted FY 1995)

Fiscal year 1996 (House bill): -\$3.9 billion (below FY 1995)

Fiscal year 1997 (Senate bill): -\$3.1 billion (below President's request)

Fiscal year 1998 (House and Senate bill): -\$200 million (below President's request)

Fiscal year 1999 (House bill): -\$2 billion (below President's request)

Fiscal year 2000 (House bill): -\$2.8 billion (below President's request)

Fiscal year 2001 (House bill): -\$2.9 billion (below President's request)

Mr. KENNEDY. It shows they have effectively cut education every single year in either the House appropriations committee or in the Senate. The only one who has saved the education budget is President Clinton. Do you hear that? President Clinton. Respond to these facts.

We ought to be debating the elementary and secondary education bill this afternoon. That is what Senator BINGAMAN wants to do. That is what I want to do. But, no; Republicans want to debate a \$250 billion cut for 400 of the wealthiest families. That is what we are spending time doing.

These are the wrong priorities for America. If we want to get back to the right priorities that are in the BINGAMAN amendment, Senators will vote with him when the time comes.

The PRESIDING OFFICER. There are 30 seconds remaining.

The Senator from Arkansas.

Mr. HUTCHINSON. It seems ironic to me when we had the education bill on the floor of the Senate for 8 days, the amendments offered by the other side of the aisle were on health care and campaign finance reform. They had nothing to do with education.

Now we have elimination of the estate tax bill on the floor of the Senate and they want to talk about education. The majority leader has done everything in his power to give an opportunity for legitimate education debate and to pass reauthorizing of ESEA. This is a diversion, and all the protests will not change that fact.

The death tax has been repealed in 20 States since 1980. I say to Senator KENNEDY, I believe the Senate ought to do what his home State of Massachusetts did; we ought to abolish it. We ought to eliminate it as Oregon, as Vermont, as Canada, as Israel, as Australia. We should abolish it—not tinker with it, not play with it, not raise the cap. We need to eliminate it.

Senator KENNEDY called it the millionaire tax loophole. That is why the Black Chamber of Commerce has endorsed this bill, the Hispanic Chamber of Commerce, the National Indian Association, and the Pan American Chamber of Commerce have endorsed it. We need to abolish the death tax.

Mr. BINGAMAN. Mr. President, this amendment is focused on education. It is an effort to put our priorities straight, to get our priorities in line with the priorities of the American people, to get back to talking about how do we improve the lot of the average American, instead of talking about the lot of the 400 wealthiest families in the country.

I believe this will put funds where they are needed the most, where the American people want to see them spent. I urge my colleagues to support this amendment.

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. HUTCHINSON. The pending amendment offered by the Senator from New Mexico, Mr. BINGAMAN, will increase the spending by \$11 billion. This additional spending would cause the underlying bill to exceed the finance committee section 302(b) allocation. Therefore, I raise a point of order pursuant to section 302(f) of the Budget Act.

Mr. BINGAMAN. Pursuant to section 904 of the Budget Act, I move to waive the applicable sections of the act for consideration of the pending amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 3829

The PRESIDING OFFICER. Under the previous order, the Senator from Delaware is recognized to offer an amendment.

Mr. ROTH. Mr. President, I send an amendment to the desk and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for himself, Mr. BREAUX, Mr. NICKLES, Mr. ROBB, Mr. MURKOWSKI, and Ms. COLLINS, proposes an amendment numbered 3829.

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

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to repeal the excise tax on telephone and other communication services)

At the end, add the following:

TITLE VI—REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES

SEC. 601. REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES.

(a) IN GENERAL.—Chapter 33 (relating to facilities and services) is amended by striking subchapter B.

(b) CONFORMING AMENDMENTS.—

(1) Section 4293 is amended by striking “chapter 32 (other than the taxes imposed by sections 4064 and 4121) and subchapter B of chapter 33,” and inserting “and chapter 32 (other than the taxes imposed by sections 4064 and 4121).”

(2)(A) Paragraph (1) of section 6302(e) is amended by striking “section 4251 or”.

(B) Paragraph (2) of section 6302(e) is amended by striking “imposed by—” and all that follows through “with respect to” and inserting “imposed by section 4261 or 4271 with respect to”.

(C) The subsection heading for section 6302(e) is amended by striking “COMMUNICATIONS SERVICES AND”.

(3) Section 6415 is amended by striking “4251, 4261, or 4271” each place it appears and inserting “4261 or 4271”.

(4) Paragraph (2) of section 7871(a) is amended by inserting “or” at the end of subparagraph (B), by striking subparagraph (C),

and by redesignating subparagraph (D) as subparagraph (C).

(5) The table of subchapters for chapter 33 is amended by striking the item relating to subchapter B.

(C) STUDY REGARDING CONTINUING ECONOMIC BENEFIT OF REPEAL.—

(1) STUDY.—The Comptroller General of the United States, after consultation with the Chairman of the Federal Communications Commission, shall study and identify—

(A) the extent to which the benefits of the repeal of the excise tax on telephone and other communication services under subsection (a) are passed through to individual and business consumers, and

(B) any actions taken by communication service providers or others that diminish such benefits, including increases in any regulated or unregulated communication service provider charges or increases in other Federal or State fees or taxes related to such service occurring since the date of such repeal.

(2) REPORT.—By not later than September 1, 2001, the Comptroller General of the United States shall submit a report regarding the study described in paragraph (1) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid pursuant to bills first rendered after August 31, 2000.

The PRESIDING OFFICER. The Senator is reminded there are now 20 minutes equally, divided, 10 minutes on a side.

Mr. ROTH. Mr. President, the amendment I offer today would repeal the telephone excise tax. My amendment is the same as the bill that was recently approved by the Finance Committee on a bipartisan basis.

The phone tax repeal bill that Senator BREAUX and I introduced earlier this year now has 43 cosponsors—members on both sides of the aisle. The House of Representatives has already voted to repeal the tax by a vote of 420 to 2.

Mr. President, all of us who support repeal have recognized that the telephone excise tax is outdated, unfair, and complex for both consumers to understand and for the collectors to administer. It cannot be justified on any tax policy grounds.

The federal government has had the American consumer on "hold" for too long when it comes to this tax. The telephone excise tax has been around for over 102 years. In fact, it was first imposed in 1898—just 22 years after the telephone itself was invented.

This tax on talking—as it is known—currently stands at 3 percent. Today, about 94 percent of all American families have telephone service. That means that virtually every family in the United States must tack an additional 3 percent on their monthly phone bill. The Federal tax applies to local phone service; it applies to long distance service; and it even applies in some cases to the extra amounts paid for State and local taxes. It is estimated that this tax costs the American public more than \$5 billion per year.

The telephone excise tax is a classic story of a tax that has been severed

from its original justifications, but lives on solely to collect money.

This tax is a pure money grab by the Federal Government—it does not pass any of the traditional criteria used for evaluating tax policy. First, this phone tax is outmoded. Once upon a time, it could have been argued that telephone service was a luxury item and that only the rich would be affected. As we all know, there is nothing further from the truth today.

Second, the Federal phone tax is unfair. Because this tax is a flat 3 percent, it applies disproportionately to low and middle income people. For example, studies show that an American family making less than \$50,000 per year spends at least 2 percent of its income on telephone service. These families also pay almost 60 percent of the total communications excise tax in the U.S. Families with incomes of under \$20,000 earn less than 9 percent of the total income in the U.S.; yet they shoulder almost one-quarter of the total communications tax burden. A family earning less than \$10,000 per year spends over 9 percent of its income on telephone service. Imposing a tax on those families for a service that is a necessity in a modern society is simply not fair.

Third, the Federal phone tax is complex. Once upon a time, phone service was simple—there was one company who provided it. It was an easy tax to administer. Now, however, phone service is intertwined with data services and Internet access, and it brings about a whole new set of complexities. For instance, a common way to provide high speed Internet access is through a digital subscriber line. This DSL line allows a user to have simultaneous access to the Internet and to telephone communications. How should it be taxed? Should the tax be apportioned? Should the whole line be tax free? And what will we do when cable, wireless, and satellite companies provide voice and data communications over the same system? The burdensome complexity of today will only become more difficult tomorrow.

As these questions are answered, we run the risk of distorting the market by favoring certain technologies. There are already numerous exceptions and carve-outs to the phone tax. For instance, private communications services are exempt from the tax. That allows large, sophisticated companies to establish communications networks and avoid paying any Federal phone tax. It goes without saying that American families do not have that same option.

With new technology, we also may exacerbate the inequities of the tax and contribute to the digital divide. For example, consider two families that decide it's time to connect their homes to the Internet. The first family installs another phone line for regular Internet access. The second family decides to buy a more expensive, dedicated high speed line for Internet ac-

cess. The first family definitely gets hit with the phone tax, while the second family may end up paying no tax at all on their connection. I can't see any policy rationale for that result.

It is time to end the Federal phone tax. For too long while America has been listening to a dial tone, Washington has been hearing a dollar tone. This tax is outmoded. It has been here since Alexander Graham Bell himself was alive. It is unfair. We are today taxing a poor family with a tax that was originally meant for a luxury item. It is complex. Only a communications engineer can today understand the myriad taxes levied on a common phone bill and only the Federal Government has the wherewithal to keep track of who and what will be taxed. It is time we hung up the phone tax once and for all.

Ninety-three million households and 23 million business service companies are waiting for us to act. I urge my colleagues to join me in supporting its repeal.

I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from Nevada.

Mr. REID. Mr. President, the Senator from Florida just arrived on the floor. He wishes to speak on this bill. When he is ready, I will yield him the time.

Mr. ROTH. Mr. President, I ask unanimous consent that Senator BAUCUS of Montana be added as a cosponsor of the amendment.

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

Mr. ROTH. I make a point of order a quorum is not present.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. L. CHAFEE). Without objection, it is so ordered.

AMENDMENT NO. 3824

Mr. GRAHAM. Mr. President, I understand we are now debating the amendment as offered by Senator ROTH relative to repeal of the telephone tax. In the absence of anyone wishing to speak further on that issue, I want to offer the next amendment which relates to prescription medication.

I rise today for myself and Senators KENNEDY, ROBB, BRYAN, LINCOLN, ROCKEFELLER, DASCHLE, WELLSTONE, JOHN KERRY, and DORGAN to offer an amendment which will couple the estate tax, as presented by Senator DASCHLE, with an amendment to the budget resolution which dedicates an additional \$40 billion of the new surplus dollars towards a Medicare prescription drug benefit.

To put this in context, in the budget resolution, \$40 billion with conditions was inserted for purposes of a Medicare prescription drug benefit. I believe that

no one will argue with the description of that \$40 billion as being an arbitrary number; that is, it was not a number which was derived by some analysis of what was going to be required to fund an effective prescription medication benefit for the first 5 years of its availability.

I am here with a sense of disappointment. I am disappointed because I do not think the issue of the prominence that is being given to the estate tax repeal should be what we are debating on July 13 of the year 2000. I do not believe the issue of estate tax repeal, whatever absolute value one places upon it, is among the highest priorities of the American people and deserves the kind of time and attention it is receiving today.

I am also disappointed that this discussion of the estate tax has, frankly, become a charade. What is happening is that, on each side of the aisle, we are hurling a grenade at the other side on the issue we think is the most popular or politically difficult to vote upon, such as the issue of repealing the telephone tax. We ought to be discussing what is a first priority to Americans, and I happen to believe that in that first tier is the issue of modernization of the Medicare program which just yesterday celebrated its 35th birthday. Unlike a human being who, after 35 years of life, would have largely grown and matured into adulthood, the Medicare program at 35 years of life is still very much as it was on the day it was born in 1965.

One of the areas in which it is still as it was when it was born in 1965 is the absence of a prescription medication benefit. Virtually every program today which finances the health care of Americans, from the Medicaid program, which is available to indigent Americans, to private health care financing programs, includes a prescription medication benefit. Medicare stands out as the exception to that rule.

What is especially ironic to that exception is that some significant things have happened in the 35 years we have had the Medicare program. One of those things is that the characteristics of the American Medicare-eligible population have changed. When Social Security was established in the 1930s, the average American would only live a few years, generally 7 years or fewer, after they had reached the age of 65. Today the average American male will live 15 years after he reaches the age of 65, and the average American female will live to be 85. Those numbers will dramatically increase during the 21st century as new medical breakthroughs extend the age of life.

The significance of that aging process on the Medicare program is that it makes services through Medicare which were irrelevant or unnecessary when the program commenced now a center part of American health care, programs such as prevention of illness, those things we now know how to do to

intervene and to avoid a condition degenerating into a fatality.

It also fails to adequately cover chronic condition management, which is a very typical circumstance for persons who live into their eighties or nineties. Both of those, prevention and chronic condition management, almost always involve prescription medication as an important part of the treatment regime, and yet our Medicare program fails to provide a prescription medication benefit.

I believe if we are going to have a prescription medication benefit—and it is critical that we do so—that we also be realistic. Part of that realism is a recognition that this is not going to be an inexpensive additional benefit if it is to be meaningful.

As an example, the typical private sector health care plan today is spending between 15 and 20 percent of its total outlays on prescription drugs. For those programs that focus on persons over the age of 65, the percentage for prescription drugs is in excess of 25 percent of all expenditures. Yet with the structure of the program that was adopted in the budget resolution—that is, \$40 billion for the first 5 years of the program—this would result in a prescription medication benefit that would represent less than 10 percent of the cost of what we are spending on prescription medication.

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

Mr. GRAHAM. Therefore, I urge we adopt this amendment which will allow us to have a more reasonable allocation of what has become a gush of new surplus funds to provide a prescription medication benefit that will be affordable, adequate, humane, and medically appropriate for America's older citizens.

Mr. President, I now send the amendment to the desk.

The PRESIDING OFFICER. If the Senator will withhold, the Senator from Delaware still has time remaining on his amendment.

Mr. REID. Mr. President, the Senator from Delaware told me he was not going to use the time. In the meantime, the Senator from Montana has shown up. There is about a minute prior to the amendment being offered. The Senator from Montana is going to speak.

AMENDMENT NO. 3829

Mr. BURNS. Mr. President, I rise today to express my support for this amendment to repeal federal excise taxes on telephone services.

This tax was first introduced as a "temporary" luxury tax in 1898 to fund the Spanish-American War. However, over 100 years later this tax remains in effect. The definition of temporary should not span an entire century.

This tax is imposed on telephone and other services at a rate of 3 percent. Furthermore, these taxes are not applied to a specific purpose that enhances telephone service in our nation—rather these taxes are directed to

the general revenue account. In other words, there is no reason we should not repeal this tax. Not doing so means only one thing—Montanans end up paying one more tax to encourage Government spending.

As I said a moment ago, this tax was enacted to fund the Spanish-American War. Considering that war was ended a mere six months after it began, I feel it's time to repeal this tax. Instead, Montana consumers continue to pay this tax on all their telephone services—local, long distance, and wireless.

It is time to eliminate this excise tax. At the time of enactment, this tax was considered a luxury tax on the few who owned telephones in 1898—this tax has now become an unnecessary burden on virtually every American taxpayer. Repealing this excise tax on communications services will save consumers over \$5 billion annually.

Furthermore, this tax is regressive in nature. It disproportionately hurts the poor, particularly those households on either fixed or limited incomes. Even the U.S. Treasury Department has concluded in a 1987 study that the tax "causes economic distortions and inequities among households" and "there is no policy rationale for retaining the communications excise tax."

Rural customers in States like Montana are also disproportionately impacted. This tax is even more of a burden on rural customers due to the fact that they are forced to make more long distance calling comparative to urban customers.

This tax also impacts Internet service. The leading reason why households with incomes under \$25,000 do not have home Internet access is cost. If consumers are very price sensitive, the government should not create disincentives to accessing the Internet. Eliminating this burdensome tax can help to narrow the digital divide.

This is a tax on talking—a tax on communicating—a tax on our Nation's economy. I encourage my colleagues to join me in support of this amendment to repeal this unnecessary and burdensome general revenue tax.

I yield the floor and reserve the remainder of our time.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mr. REID. Mr. President, we still have time. We have to yield back all our time—it is only a few seconds—and then the Senator can send his amendment to the desk.

Mr. ROTH. I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator from Florida.

AMENDMENT NO. 3824

Mr. GRAHAM. Mr. President, I send the amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows: The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 3824.

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

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

The amendment is as follows:

(Purpose: To provide additional budget resources for a medicare prescription drug benefit program.)

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:

The applicable exclusion amount is:

2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:

The applicable deduction amount is:

2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—ADDITIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM

SEC. 201. ADDITIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Beneficiaries under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) are the only group of insured Americans without prescription drug coverage.

(2) At any point in time, approximately 13,000,000 medicare beneficiaries are without prescription drug coverage.

(3) Over the course of a year, nearly 20,000,000 medicare beneficiaries are without prescription drug coverage for all or part of the year.

(4) The options available to medicare beneficiaries for obtaining prescription drug coverage are declining since—

(A) the number of employers providing employer-sponsored retiree coverage is declining at a dramatic rate;

(B) Medicare+Choice plans that might otherwise provide prescription drug coverage are pulling out of counties throughout the Nation; and

(C) medicare supplemental policies (medigap policies) that offer prescription drug coverage are so prohibitively expensive that only 8 percent of medicare beneficiaries have the means to purchase such policies.

(5) An elderly individual without prescription drug coverage living on \$12,525 a year (150 percent of the Federal poverty line), who has diabetes, hypertension, and high cholesterol, pays more than 18.3 percent of their total income on the prescription drugs most commonly prescribed to treat their medical conditions.

(6) Medicare beneficiaries should never have to make the choice between having a roof over their head, having food in their mouth, or having necessary prescription drugs.

(7) Congress must provide medicare beneficiaries with a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(8) Meaningful prescription drug coverage includes stop-loss protection above \$4,000 of out-of-pocket expenses for prescription drugs.

(9) In March 2000, the Congressional Budget Office estimated the on-budget surplus for the 5-year period of fiscal year 2001 through fiscal year 2005 to be \$148,000,000,000, assuming that discretionary spending was allowed to increase with inflation.

(10) Relying on the March 2000 estimate of the Congressional Budget Office, on April 12, 2000, Congress passed the concurrent resolution on the budget for fiscal year 2001 which allocated \$40,000,000,000 of the estimated on-budget surplus for the 5-year period described in paragraph (9) to provide a prescription drug benefit for medicare beneficiaries.

(11) Forty billion dollars over 5 years cannot ensure access to a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(12) Congress should not be bound to an arbitrarily low and inadequate allocation for providing a medicare prescription drug benefit when the estimated on-budget surplus for the 5-year period described in paragraph (9) has increased dramatically since March 2000.

(13) The Office of Management and Budget recently has revised its estimates for the on-budget surplus for the 5-year period described in paragraph (9) and now estimates that the on-budget surplus will be \$360,000,000,000 for such period.

(14) The Congressional Budget Office will issue its revised budget estimates in the next few days and those estimates are widely expected to reflect a significant increase in the on-budget surplus for the 5-year period described in paragraph (9) as compared to the on-budget surplus that was estimated for such period in March 2000.

(b) 2001 BUDGET RESOLUTION AMENDMENT.—Section 213(b) of H. Con. Res. 290 (106th Congress) is amended to read as follows:

"(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the House or Senate, as applicable—

"(1) shall revise committee allocations and other appropriate budgetary levels and limits to accommodate legislation described in section 215(a) which improves access to prescription drugs for Medicare beneficiaries in an additional amount of \$40,000,000,000 or the difference between the on-budget surpluses in the reports referred to in subsection (a), whichever is less; and

"(2) may, after the adjustment in paragraph (1), make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a) minus the adjustment made pursuant to paragraph (1):

"(A) Reduce the on-budget revenue aggregate by that amount for such fiscal year.

"(B) Adjust the instruction in section 103 or 104 to—

"(i) increase the reduction in revenues by that amount for fiscal year 2001;

"(ii) increase the reduction in revenues by the sum of the amounts for the period of fiscal years 2001 through 2005; and

"(iii) in the House only, increase the amount of debt reduction by that amount for fiscal year 2001.

"(C) Adjust such other levels in this resolution, as appropriate and the Senate pay-as-you-go scorecard."

Mr. GRAHAM. Mr. President, what we are about is to authorize that \$40 billion of the new surplus which has come into the Federal Government and is projected to come over the next 5 years to be dedicated to the prescription medication benefit. This would allow for a total of \$80 billion to be committed to this program.

The result of that will be to bring the scale of the prescription medication benefit, as a totality of the Medicare program, somewhat into line with what other health care programs are spending on prescription medications today.

The reality is that prescription medications have been the fastest growing sector of American health care, increasing at a rate of 15 to 20 percent a year. The fact is, with the new breakthroughs in prescription medication,

there is likely to be further escalation of prescription medication costs.

We have incorporated in the bill that has been introduced, and which would be supported by this allocation of additional funds, that annual increase in the expected rate of prescription medication costs. It is our hope that through some of the procedures in this legislation—such as the encouragement for the use of generic drugs, the use of an intermediary called a pharmacy benefits manager, and multiple managers so that there will be competition between the pharmaceutical company and the Medicare beneficiary who is using those drugs—there will be efforts to restrain the enormous explosion in cost of prescription medication.

But I would have to honestly say to my colleagues that there is every indication the prescription medication will continue to be a rapidly growing source of medical expenditures.

I take this occasion to commend Senator ROTH, the chairman of the Finance Committee, for the legislation which he has, this week, outlined to the committee and to the American people. I think it is a very constructive contribution toward the goal of arriving at a prescription medication benefit that will serve the almost 40 million Americans who depend upon Medicare for their health care financing.

I suggest that if we had a more realistic allocation for the purpose of prescription medication, the proposal that Senator ROTH made would be even more advantageous to Medicare beneficiaries. Thus, I hope this amendment will be adopted and will give us the basis for a continuing dialog and discussion, leading to a prescription medication benefit that will serve America's needs.

One of the things that Senator ROTH has done in his proposal, which I think is especially significant, is to recognize that prescription drugs are a central part of a modern health care system. Some other proposals, particularly those emanating from the other Chamber, have treated prescription drugs as if they were the red-headed third cousin at the family picnic—something that is still outside the main circle of appropriate health care.

The fact is, in modern medicine, prescription drugs are a centerpiece, particularly as we make what I think is the most significant reform in the 35-year history of Medicare, and that is to move it from a program which was exclusively acute care—one that would provide extensive and very effective medical services if you had a dramatic incidence, such as a disease or an accident, but had almost no orientation towards trying to keep you healthy through effective prevention measures—to me it is that movement from essentially a sickness plan to a wellness plan that is the most fundamental reform which Medicare must make now in its 35th year. And key to being able to do that is the inclusion of prescription medication.

Is this \$40 billion that we are discussing an unrealistic number? Well, let me just give you these numbers. When we started this budget year, the assumption was that we would be dealing with a non-Social Security surplus, over the next 5 years, of \$95 billion. We allocated \$40 billion of that \$95 billion to prescription drugs, or roughly 42 percent of the total non-Social Security surplus, for 5 years, was committed to this single purpose of financing a prescription drug benefit.

It is now estimated that when the next non-Social Security surplus, for 5 years, is calculated, it will be more in the range of \$350 to \$400 billion. We have had approximately a quadrupling of the non-Social Security surplus as a result of the strong economy from which we all so benefit.

Is it not appropriate, out of that additional \$300 billion, to take another \$40 billion and use it so that we can finance a prescription medication benefit at approximately the same level that private sector health care plans are financing prescription medication in terms of a percentage of total health care expenditures?

We are expending, this year, about \$280 billion on Medicare. This benefit will add about \$25 billion a year—half of which is the Federal component, half of which is the beneficiary's monthly payment. So we now will have a program with slightly over \$300 billion. If we stay with that \$25 billion number, we will have less than 10 percent of the total Medicare program to be in prescription drugs, while private health insurance for persons over 65 are spending 25 percent or more.

By adding this additional \$40 billion, we will double that percentage to approximately 18 to 19 percent of total Medicare expenditures, which I think is the range that is going to be required in order to finance a reasonable, affordable, medically appropriate prescription medication benefit for America's older citizens.

Mr. President, I offer this amendment and urge its adoption.

The PRESIDING OFFICER. Who yields time in opposition?

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. ROBB. Mr. President, I will speak for a minute—the time remaining allocated to the Senator from Florida—in support of his amendment.

The resources that were allocated to the Budget Committee were simply insufficient to deal with the problem of providing adequate prescription drug coverage under Medicare. This particular amendment will make it possible to provide adequate, affordable,

available prescription drug coverage to our seniors. We cannot do it under the constraints of the current amendment.

The chairman of the Finance Committee has offered a good faith effort to try to resolve that problem but is constrained by taking away from Part A and Part B, causing beneficiaries to have to make a choice. They should not have to make that choice. They should not have to make the choice between food and medicine.

This will give us an opportunity to solve a problem that is long overdue. With the robust condition of the economy, we finally have an opportunity to do it. I urge my colleagues to vote in support of the amendment offered by the Senator from Florida.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware has 7 minutes 3 seconds remaining.

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

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. BURNS. Mr. President, I urge my colleagues on both sides of the aisle to support this amendment that would provide tax relief for farmers, ranchers, and other small business owners.

This amendment contains several provisions that are very popular among the Nation's farming and small business communities. Among those provisions is a bill I introduced in January along with over 40 of my Senate colleagues on both sides of the aisle. This bill, S. 2005, the Installment Tax Correction Act of 2000, would allow small businesses to pay the capital gains on the sale of their business over the term of the sale rather than in one lump sum at the time of the sale.

Without this provision, the sales of small businesses will be disrupted or scrapped altogether. Many sales of small businesses use the installment sales method. This amendment will allow small business owners the opportunity to defer over the period of payments the capital gains tax on the sale of their business. We're not talking about major corporations—rather, we are talking about small businesses that support a community.

This amendment will ensure that action is taken on this issue this year and also ensure that the present or future sales of small businesses are not adversely affected by this legislation.

This amendment also contains several other tax relief measures for our Nation's farmers and ranchers. The amendment will not only create savings for farmers but also encourage savings for farmers to be used for future.

The agricultural community is in a crisis. These are the men and women

that produce our Nation's food products. It is important that we do all we can to help relieve these families of the burdens based on the unique fluctuations in agriculture. While a farmer may have a banner year, his next may be devastated by hail, disease or price.

Mr. President, I can tell you that prices for agricultural products have hit rock bottom and there is no sign of improvement.

I encourage my colleagues to support the small business owner by supporting this amendment.

Mr. ROTH. I yield the remainder of my time to the Senator from New Mexico.

Mr. DOMENICI. Mr. President, I am going to make a point of order very shortly. I think the Parliamentarian will agree that it will be granted unless a motion is made. They are going to have to have 60 votes to waive it. It is good on the part of the Senate to have such rules.

To give a little history, in the Budget Committee we were talking about \$20 billion for Medicare over the next 5 years. My recollection is that the distinguished Senator from New Jersey, Mr. LAUTENBERG, offered an amendment and they took it all the way to \$35 billion. A little while later in the process, with Senator WYDEN helping, a bipartisan approach was taken in the committee and we said \$40 billion—\$20 billion if you don't get any reform and \$40 billion if you get some reform—in the first 5 years.

Everybody should know that the President asked for \$31 billion. The budget resolution provides \$20 billion plus \$20 billion, which is \$40 billion. And then, everybody should know that the President's proposal doesn't take effect for 3 years, until 2003. All of a sudden, when the year is about over, we have somebody proposing not to spend the \$35 billion that Senator LAUTENBERG wanted, not the \$40 billion that the bipartisan Senators did in a budget resolution, which everybody thought was a very wonderful idea—in fact, Senator SNOWE and Senator WYDEN led that in the committee, as I recall; is that correct, I ask Senator NICKLES?

Mr. NICKLES. Yes.

Mr. DOMENICI. It was their proposal. Now they say forget about all that; they want \$80 billion. We want to rewrite a budget resolution in July of the year, instead of months ago when we were writing budget resolutions. All of a sudden, they want \$80 billion set aside for Medicare and prescription drugs.

If ever a point of order was not only correct under the law, but, substantively speaking, right, so that we don't spend the whole Medicare fund and end up with more burdens on the fund than we can pay for, and have some prescription drug program that starts 3 years from now, it is now.

I feel very comfortable in saying to the Senate that you ought to stick with the Budget Act and the budget process. In the end, the seniors will be

glad you did because their children will be protected. There will be a Medicare program around for an awful long time, and we will reform it in a way that can be sustained, that we can afford, and of which everybody will be proud.

If I have any time before I make the point of order, I yield it to Senator NICKLES.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I compliment the chairman of the Budget Committee. He is exactly right. The President's original proposal requested \$15 billion. Then he came back and said \$31 billion. The Budget Committee started at \$20 billion and ended up at \$40 billion. Now people are saying we need \$80 billion. We don't know what the program is. We have no idea how much it costs. We have no idea if it is duplicating coverage already in the private sector. It makes no sense where a program is not going to be effective for 3 years. That may be good politics, but it is fiscally irresponsible. I join my colleague in his point of order.

The PRESIDING OFFICER. The time has expired.

Mr. DOMENICI. Mr. President, I make a point of order that this violates section 306 of the Budget Act because it tries to rewrite the budget resolution on a tax bill.

Mr. GRAHAM. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive the applicable section of the act for the consideration of the pending amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays are ordered, and the vote will be placed in the sequence.

Mr. GRAHAM. Mr. President, was the Senator from New Mexico speaking on the opposition's time on our amendment?

Mr. DOMENICI. I assume so.

The PRESIDING OFFICER. All time on the amendment has expired.

The Senator from Iowa is recognized.

AMENDMENT NO. 3834

(Purpose: To provide tax relief for farmers, and for other purposes)

Mr. GRASSLEY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Iowa [Mr. GRASSLEY], for himself, Mr. CRAIG, Mr. BURNS, Mr. LUGAR, Mr. BROWNBACK, and Mr. GRAMS, proposes an amendment numbered 3834.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. GRASSLEY. Mr. President, I yield myself 6 minutes. I want to reserve 4 minutes for other people who want to speak on my amendment.

Mr. President, the amendment I'm offering on behalf of myself and others will assist millions of farmers across the Nation. In the midst of one of the worst farming crises we've seen, in addition to the estate tax repeal, it seems to me we ought to be doing everything we can to help farmers survive.

The package of measures included in this tax relief amendment include the following:

FARRM accounts. These farmer savings accounts would allow farmers to contribute up to 20 percent of their income in an account, and deduct it in the same year. FARRM accounts would be a very important "risk management" tool that will help farmers put away money when there's actual income, so that, in the really bad times, there will be a safety net.

This measure has strong bipartisan support and was actually sent to the President last year as part of the Taxpayer Relief Act that the President vetoed.

Reversing the unfair IRS decisions on self-employment tax for farmers. Farmers who participate in the Conservation Reserve Program are unnecessarily struggling during tax season because of a recent case pushed by the IRS. The latest 6th Circuit Court's ruling treats CRP as farm income subject to the additional self-employment tax rate of 15 percent. Senator BROWNBACK has taken the lead on fixing this problem. This unfair tax not only ignores the intent of Congress in creating the CRP, it discourages farmers from using environmentally pro-active measures. At a time when farmers are struggling to regain their footing economically and do the right thing environmentally, it's important that Congress support them by upholding its promise on CRP.

In addition, this amendment includes an effort I've been leading to reverse an IRS attempt to apply the self-employment tax on farmer's cash rental income.

A tax deduction for farmers to donate to food banks. Senator LUGAR has led the effort to expand the current program where companies can donate to food banks, so that farmers can donate surplus food directly to needy food banks. This will be a win for the farmers and a big win for people who depend on food bank assistance.

Income averaging for farmers who are caught in the alternative minimum tax. This was also part of last year's vetoed bill. When we passed income averaging for farmers a few years ago, we neglected to take into account the problem of running into the alternative minimum tax, which many farmers are facing now. Our amendment will fix this growing problem.

Expansion of first-time farmer loans, or Aggie bonds. Our amendment expands opportunities for beginning farmers who are in need of low interest rate loans for capital purchases of farmland and equipment. Current law permits state authorities to issue tax

exempt bonds and to loan the proceeds from the sale of the bonds to beginning farmers and ranchers to finance the cost of acquiring land, buildings and equipment used in a farm or ranch operation.

Unfortunately, Aggie bonds are subjected to a volume cap and must compete with big industrial projects for bond allocation. Aggie bonds share few similarities to industrial revenue bonds and should not be subjected to the volume cap established for IRBs. Insufficient allocation of funding due to the volume cap limits the effectiveness of this program. We can't stand by and allow the next generation of farmers to lose an opportunity to participate in farming because of competition with industry for reduced interest loan rates.

Repeal of the installment method for certain small businesses. Our amendment would repeal a law that was passed at the end of last year that's had a very negative effect on the small business community. Repeal of this draconian installment sales method is one of small business's biggest priorities.

Farmer co-op initiatives. Recently the IRS determined that some cooperatives should be exposed to a regular corporate tax due to the fact that they are using organic value-added practices rather than manufactured value-added practices. This is unfair, and needs to be fixed.

In addition, we want to allow small cooperative producers of ethanol to be able to receive the same tax benefits as large companies. Our amendment addresses these problems.

So, Mr. President, our amendment would do more for the American farmer regarding taxes than any measure in recent memory. I know others want to speak, so I would urge Members to strongly support this measure. It is an amendment that should have unanimous support.

I yield to the Senator from Minnesota 1½ minutes.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Mr. President, current law provides for an income tax credit of 10 cents per gallon for up to 15 million gallons of annual ethanol production by a small ethanol producer. A small ethanol producer is one defined as having a production capacity of less than 30 million gallons per year. The credit was enacted as part of the Omnibus Budget Reconciliation Act of 1990 and championed by our former colleague, Senator Bob Dole. Unfortunately, the credit was enacted at a time when the growth and shape of the ethanol industry was still difficult to predict.

This situation has led to an unfortunate situation in my state and in other areas where farmer-owned cooperatives have been unable to access the credit due to the way in which the original legislation was drafted. The original legislation certainly envisioned these

small, farmer-owned cooperatives as being eligible for the tax credit, but the realities of the tax code have made it impossible for them to do so.

There are currently 22 cooperative ethanol plants in the United States. Twelve of them are located in Minnesota. Eleven of these Minnesota cooperatives involve over 5,000 farmers and their families. Minnesota cooperatives are able to produce roughly 189 million gallons of ethanol per year.

My language would simply correct the provision of the law that shuts out these farmer-owned cooperatives from the complete benefit of the small ethanol producer tax credit.

I want to again stress that this language is consistent with the original intent of the 1990 law that created the small ethanol producer tax credit. Farmer-owned cooperatives were never intended to be excluded from receiving the benefits of the tax credit if they produce less than 30 million gallons and I believe it's time the Congress stepped in and clarified the law.

The ethanol industry in Minnesota and across the country is one we should promote. Ethanol is a crucial product for rural America, for our nation as a whole, and especially for Minnesota. I'd like to point out just a few of ethanol's impressive benefits—environmentally and economically. According to the Minnesota Corn Growers, ethanol production boosts nationwide employment by over 195,000 jobs. Ethanol improves our trade balance by \$2 billion and adds \$450 million to state tax receipts. It reduces emissions from gasoline use and therefore helps us clean up the environment.

According to the American Coalition for Ethanol, more than \$3 billion has been invested in 43 ethanol facilities in 20 states. Those investments have directly created 40,000 jobs and more than \$12.6 billion in increased income over the next five years.

Minnesota is now home to over a dozen operating ethanol plants with a capacity of over 200 million gallons annually. These plants mean new jobs with good wages and good benefits for people living in rural areas where these plants are built. According to a report by the Minnesota Legislative Auditor, those plants, and the resulting economic activity, are expected to create as many as 5,000 new, high-wage jobs—including jobs in production, construction, and support industries.

In addition to its positive economic impacts, ethanol production allows our nation to move away from our dependence on foreign energy sources. The United States Department of Agriculture estimates that for every gallon of ethanol produced domestically, we displace seven gallons of imported oil. Ethanol plays a role in increasing our national energy security by providing a stable, homegrown, renewable energy supply. Ethanol is estimated to reduce our demand for foreign oil by 98,000 barrels per day.

Those are just some of the reasons why I urge my colleagues to join Sen-

ator GRASSLEY and me in allowing small, farmer-owned cooperatives to enjoy the full benefits of the small ethanol producer tax credit.

I thank Senator GRASSLEY for including this provision, which I had planned to introduce separately, in his package of important tax relief for farmers. As one who has sponsored similar legislation providing tax relief for farmers, I strongly support his amendment and have asked to be a cosponsor. I appreciate the Senator from Iowa's efforts in support of our nation's farmers and all of rural America.

Mr. GRASSLEY. Mr. President, I yield 1½ minutes to Senator LUGAR.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. LUGAR. Mr. President, I rise in strong support of this amendment aimed at providing tax relief to America's farmers.

I want to highlight and share my strong enthusiasm for one provision contained as part of this amendment aimed at encouraging farmers, ranchers and other small businesses to donate food to hunger relief organizations. This language is taken from bipartisan legislation I introduced earlier this year—S. 2084, the Hunger Relief Tax Incentive Act.

Current law provides corporations with a special deduction for donations to food banks, but it excludes farmers, ranchers and restaurant owners from donating food under the same tax incentive. This language would address this inequity by extending the deduction to all business taxpayers and by increasing the deduction to the fair market value of the donation.

While recently visiting food banks in Indiana, I met a Hoosier apple farmer who donates several hundred bushels of apples annually, despite the lack of a tax deduction for his actions. Because of labor and transportation costs, it would have been more cost effective to throw the food away. This should not be the case. Our tax laws should reward charitable giving, not discourage it.

Citizens have moved off of welfare, but not out of poverty. A December 1999 study by the U.S. Conference of Mayors found that requests for emergency food assistance increased by an average of 18 percent in American cities over the previous year and that 21 percent of emergency food requests could not be met. I can personally attest to this increased need after recently visiting the Tri-State Food Bank in Evansville, Gleaners Food Bank in Indianapolis, and Community Harvest Food Bank in Ft. Wayne.

This language, which enjoys broad support in the Senate, would be an effective private sector approach to addressing hunger. It has the endorsement of several hunger relief, food, and agricultural organizations, including the American Farm Bureau, the National Farmers Union, the National Restaurant Association, America's Second Harvest Food Banks, and the Salvation Army.

I encourage my colleagues on both sides of the aisle to vote in support of this amendment that benefits our farmers and our food banks.

Mr. GRASSLEY. Mr. President, I reserve the remainder of my time.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. KERREY. Mr. President, I am here, along with Senator BAUCUS, as well as Senator DORGAN, Senator BREAUX, and Senator ROBB, to talk about rescission of the estate tax that we think needs to be addressed. I believe the estate tax is unfair.

I worked with Senator KYL of Arizona to write a bill to eliminate the estate tax, along with a stepped-up basis for capital gains which I think is reasonable.

Unfortunately, there are two problems I have with the legislation. One is that I see many other provisions in the Tax Code that I also don't think are fair. I think the payroll tax is too high.

If you ask me what the No. 1 item is in terms of eliminating, I would like to see the payroll tax reduced. I think it is too high. It is a barrier to savings. It especially falls very hard on those Americans to whom we are trying to give the most opportunity. I would like to see full deductibility of health insurance.

There are a lot of things that I would like to see done. But I have to measure the cost of those against the budget itself to try to maintain the fiscal discipline we have had since 1993.

As a consequence, I think what Senator DASCHLE has proposed as an alternative is reasonable.

In addition to that, if we are going to help 2 percent of Americans, it is very important for us to pay attention and try to help the 98 percent of Americans who do not have any estate. Senator BAUCUS has a proposal that will do just that.

The proposal that I want to talk about a bit is a proposal called KidSave that will similarly help 98 percent of the population of American citizens who head toward old age and have no estate beyond \$650,000 that can be taxed under any circumstances, which is rather shocking when you consider how easy it is to accumulate \$650,000.

The proposal I have, and I have talked about it before—in fact, I worked with Republicans as well to refine and improve it—is called KidSave. It is based on a very simple mathematical certainty; that is, if you want to accumulate wealth, the most important variable is the length of time over which you save. KidSave opens an account, administered by the Social Security Administration, but very simi-

lar to what we have with the Thrift Savings Plan. It opens an account of \$1,000 at birth. If you contribute \$500 in the first 5 years, you have \$3,500 at age 5; and over the next 55 years, that \$3,500 is using compounding interest rates.

The investment strategy is similar to the Thrift Savings Plan. Members have not only invested in it ourselves, we have employees invested in it. We become very excited about what it can do for individuals. For example, the C Fund we have available, over the last 12 years, has averaged an 18-percent compounded rate of return. It is lower if you pick a bond fund, lower than that if you pick a Treasury bond fund. The idea it is unsafe is an idea that doesn't make any sense to our employees who operate and live under that program. It gives them a chance to have something when they head towards retirement that provides them with real security—and that is wealth.

Members will find, talking to people who are concerned about the estate tax, as I have—and I think the estate tax is unfair; you can't justify 55-percent taxation especially when you bring the stepped-up basis in—when we talk to people, it provides them with a sense of security. It is not Social Security, but the wealth that accumulates provides them with a sense of security.

I say to my colleagues on the other side of the aisle, I know the debate is not heading in that direction, unfortunately. We are basically going to have a series of amendments which will go to the President, and he will veto the darn thing and we have our political issues.

I say to my colleagues on the other side of the aisle who are concerned about the impact on 2 percent of the population, what Senator BAUCUS and Senator DORGAN and Senator BREAUX and myself are trying to say is, let's express simultaneously a concern for that 98 percent of American people who are working and have no prospect right now of accumulating an estate in excess of \$650,000. It is not a gamble. It is a mathematical certainty. If these accounts are opened early enough and continued over a course of a working life, every single individual in America could head towards retirement knowing that they, too, are going to have a sufficient estate to pass on to their heirs. Not only is it respectable, but it will give them security, as well.

I understand there are concerns with KidSave. We worked with Republicans to try to improve it, try to make certain that it accommodates some ideological concerns. I am willing to continue doing that effort. If we are going to be concerned that 2 percent of the population would have to pay estate taxes on estates in excess of \$650,000, I believe this Senate should be similarly concerned about 98 percent of the population that heads towards retirement in older age with estates that are under \$650,000.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, might I make the point that the provision that the Senator from Nebraska is offering is part of S. 21, a bill that we introduced in the first session of the 106th Congress almost 2 years ago. It was a bill to reduce Social Security payroll taxes, provide KidSave, and provide for those who wish to take the option, a 2-percent thrift savings plan equivalent throughout their working years to provide wealth.

The Senator has a powerful idea. We have provided security in the course of a long century, beginning with workman's compensation, widows' pension, and then Social Security and Medicare and Medicaid. But we have never been able to provide a great portion of our population, that which distinguishes this Nation, with a measure of wealth, an estate. Not an estate which would be much affected by the underlying bill we are talking about today. Not many \$4 million estates would be acquired in the process, but there would be a measure of wealth.

It would be the first American initiative in the area of social welfare. This starts right here in this Chamber, S. 21. The first 20 numbers are reserved for the majority and minority leaders; the first bill otherwise in this Senate is this provision. We have not got to it in committee, but we have a part here on the floor. I welcome it.

Mr. KERREY. Mr. President, I appreciate that. When I talk of the estate tax, understanding there could be genuine differences of opinion—and the distinguished Senator from New York likes the estate tax. I look at it and I think it is unfair. I hear people say it only affects 2 percent of the population. I say 2 percent are getting the shaft. We ought to still try to help them, whether they are wealthy or not. I don't like the tax.

What is more startling to me is 98 percent of the population do not have an estate over \$650,000. Think about that, if \$1,000 at birth, compounded at 10 percent, produces \$650,000.

I am not arguing that will happen over 60 years, but if you look at the Thrift Savings Plan, it has compounded at 18 percent in the C fund over the last 12 years. It is a remarkable rate of return. It is absolutely certain. If we want to help the 98 percent that don't have estates over \$650,000, it is absolutely a mathematical certainty that we can do it. One cannot wait until 55. One cannot wait until 65. One cannot wait even until 45. Start early. The earliest possible moment is at birth. Open these accounts at birth and contribute early.

One objection I heard on the other side is it ought to be an "earned" entitlement. We worked with heritage to make it earned entitlement. I am willing to do that. If you understand compounding interest rates, and if you are startled not by the fact that only 2 percent have estates over \$650,000 but

that 98 percent haven't reached \$650,000—that is a startling number; it is not good. Inside of a liberal democracy in a free market system such as ours, it is not good because we have the rich getting richer and the poor getting poorer. Not because the rich are doing anything bad. I am not saying they are at fault.

What is happening relative to the wealth being generated in America, people without wealth are getting poorer. Raising the minimum wage and expanding the EATC—both of which I favor—do not address the problem of wealth. That is income. In order to address wealth, we have to do it in a different fashion.

I hope during this estate tax debate we not only notice that only 2 percent have estates over \$650,000, but 98 percent don't, and we begin in an urgent and serious fashion to address that problem.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield 30 seconds to the Senator from Kansas for speaking on his portion of my amendment.

Mr. BROWNBACK. Mr. President, I thank my colleague from Iowa for recognizing me for this portion of the bill. The portion of the bill I have is a bill that I, along with Senator DASCHLE, have introduced, with 32 other cosponsors, called the Conservation Reserve Program Tax Fairness Act. What it would do is keep conservation reserve program payments from being subject to self-employment tax.

Unfortunately, a circuit court in this country determined that these CRP payments are subject to that. This removes that. That is in the bill. That is why I support my colleague from Iowa and urge my colleagues to support this amendment.

Mr. GRASSLEY. Mr. President, I yield myself a final 30 seconds to ask unanimous consent to have printed in the RECORD a letter in support of the amendment from the American Farm Bureau Federation.

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

AMERICAN FARM BUREAU FEDERATION,
Washington, DC. July 13, 2000.

Hon. CHARLES E. GRASSLEY,
U.S. Senate, Washington, DC.

DEAR SENATOR GRASSLEY: Farm Bureau supports a proposed amendment to add several key agricultural tax provisions to H.R. 8, the Death Tax Elimination Act of 2000. Included in this amendment is the creation of Farm and Ranch Risk Management Accounts (FARRM accounts), repeal of self-employment taxes on farmland rental, and clarification that farm income averaging does not trigger the Alternative Minimum Tax (AMT).

Using a FARRM Account, producers would be able to save up to 20 percent of net farm income in a tax-deferred account where the funds could be held in reserve for up to five years for financial emergencies. Unpredictable weather and uncontrollable markets impact supply and demand making farm income difficult to predict. Serious financial problems can arise when agricultural pro-

ducers are unable to cover expenses with current income. Farmers and ranchers need financial management tools that encourage savings as a means of stabilizing their incomes.

Recent Internal Revenue Service (IRS) activities have wrongly broadened the application of the self-employment tax. Until 1996, farmers and ranchers paid the 15.3 percent self-employment tax on income from labor and employment as intended by Congress. In that year, a tax court case expanded the tax to include income from the cash rental of farmland. This was done even though the tax code does not generally require non-agricultural property owners to pay self-employment tax on cash rental receipts.

Congress enacted three-year averaging for farm and ranch income in 1997 to protect agriculture producers from excessively high tax rates in profitable year. The intended benefits of income averaging, however, are being eroded by the imposition of the Alternative Minimum Tax (AMT) which limits tax savings for farmers and ranchers. Producers most at risk, those whose incomes vary greatly from year to year, are hurt most by AMT-imposed limits on farm and ranch income averaging.

Farm Bureau urges your support for the agricultural tax amendment to H.R. 8. Thank you for your consideration.

BOB STALLMAN,
President.

Mr. GRASSLEY. Mr. President, No. 2, I remind people the farmer savings accounts give the farmers an opportunity to level out years of high income versus years of low income. Very seldom, because of nature, can the farmers control their productivity to any great extent, so they have these peaks and valleys. This gives the family farmer an opportunity to manage his income to a greater extent.

I yield the floor.

AMENDMENT NO. 3835

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to provide a refundable credit to certain individuals for elective deferrals and IRA contributions, and to provide an incentive to small business to establish and maintain qualified pension plans, to amend the Social Security Act to provide each American child with a KidSave Account, and for other purposes)

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for himself, Mr. KERREY, Mr. DORGAN, and Mr. ROBB, proposes an amendment numbered 3835.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. BAUCUS. Mr. President, this is an amendment to help people who are not now putting aside money for their

retirement. It is combined with measures previously addressed by the Senator from Nebraska, Mr. KERREY, with respect to KidSave. It is a combined amendment along with the Democratic estate tax alternative. So, like other Democratic amendments, this replaces the estate tax provisions in the House bill with the estate tax relief in the Democratic alternative.

As I said before, there are two reasons we have our Democratic alternative. One, it provides more relief more quickly to the folks who really need it; that is, our family businesses, small businesses, ranchers and farmers; and the second part of the basic Democratic alternative amendment is it puts the \$40 billion that is saved, compared with the House-passed bill, to better use. Instead of providing further estate tax relief for the few individuals who, by any measure, are very well off—that is, the top portion of the 2 percent—we decided to encourage middle-class families to do more to provide for their own retirement.

We give every child a stake in the American dream. Senator KERREY mentioned the phenomenon of compounding interest. The rule of thumb is that, if you earn 7 percent interest, your money will double every 10 years, at 10 percent interest, your money doubles every 7 years. You can imagine the magic of compounding over a child's lifetime. Senator KERREY has eloquently described that portion of the amendment.

I will explain the portion that is the incentive for retirement saving. Why do we need an incentive? Let me start by pointing out that Social Security is the primary source of income for two-thirds of elderly Americans. We have to stop and think about that just a second. Social Security is the primary source of income for two-thirds of elderly Americans. That is, they do not have other sources of income that amount to very much. In fact, it is the only source of income for about 16 percent of the elderly. For 16 percent, it is the only source.

Those of us who offer this amendment believe, of course, we must protect Social Security. I think everyone in this Chamber agrees with that statement. But I also believe that is not enough. We must complement Social Security by helping people set additional savings aside because Social Security is not enough. Otherwise, there are far too many Americans who will spend their retirement years just one step away from poverty.

So our goal is to increase pension savings, retirement savings, in addition to the Social Security program. That is partly because America is not a nation of savers. We have seen all the statistics. Personal savings rates have continually declined in this country. One-half of all Americans have less than \$10,000 set aside for retirement. Let me repeat that. One-half of all Americans have less than \$10,000 set aside for retirement. Obviously, we need more.

Part of the solution is pension and IRA reform. Senator ROTH of Delaware has done wonderful work helping this Nation develop better IRA programs. In fact, we have an IRA program named after him, the ROTH IRA. And I have worked with Senators GRAHAM and GRASSLEY on reform for employer-sponsored pension plans. But pension and IRA reform are not the complete solution. After all, pension reform encourages people who are already saving to save a little more. We also need to give people who are not saving anything now—middle- and lower-income people, an incentive to save as well. That is people who are working hard, playing by the rules, but still struggling to make ends meet—which is most Americans, if truth were known—those folks with less than \$10,000 set aside for retirement.

That is what our retirement savings amendment would do. It would help in two separate ways: First, it provides a refundable tax credit to match the savings of middle-income workers and spouses. It phases out once the income gets higher, but it is focused on lower and middle income—and I mean middle income, because it phases out with incomes about \$75,000. Second, we provide tax incentives to encourage small business owners to start new pension plans for themselves and their employees.

My State of Montana is a small business State. About 20 percent of employees have access to pension plans because it is very hard for a small business person to set up a pension plan. If you stop and think about it, when a person sets up his business or her business, that first day that business owner must meet a payroll tax, and it is big. It may take a while before the business starts making money, and even then, there is only so much money to go around. So the business owner has to prioritize. And most lower income workers are much more interested in getting health care coverage or other benefits than they are in a pension plan. Our amendment provides an incentive to help make it a good business decision for that small business person to offer a pension plan to his or her employees.

I believe this amendment gets our priorities pretty right. In estate tax reform, it provides dramatic tax relief for 90 percent of the farmers and ranchers who are hit by an estate tax; three-quarters of family-held businesses who are otherwise paying estate tax, and about two-thirds of people overall who now pay tax. At the same time, it sets aside \$40 billion to give incentives to small businessmen to start pension plans, and help them and their employees keep their pension plan going. It will help millions of Americans, particularly middle-income Americans, increase their wealth so they can have their stake in the economy and encourage them to save for retirement to supplement Social Security.

Mr. President, I reserve the remainder of my time. Senator KERREY spoke

earlier on the KidSave portion of this amendment.

I don't see anyone else wishing to speak, so I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BENNETT). Without objection, the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. ROTH. Mr. President, I will be very brief in my comment on this amendment. This amendment has the same fundamental defect that the other Democratic amendments have. It is built on the Democratic alternative to the House death tax repeal bill. For that reason, I must oppose the amendment, as the Democratic alternative fails to achieve the termination of the death tax.

Second, I want to raise a procedural point. While I agree and support the concept of encouraging savings, I regret that this amendment would cause the Finance Committee to violate its outlay allocation under the budget resolution. As a result, I raise a section 302(f) point of order against this amendment.

The PRESIDING OFFICER. Does the Senator from Delaware yield at this time?

Mr. ROTH. I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I move to waive the Budget Act.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having been yielded back, the vote will occur in the sequence in which it has been stacked.

The Senator from Minnesota.

AMENDMENT NO. 3836

Mr. GRAMS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Minnesota [Mr. GRAMS], for himself and Mr. ABRAHAM, proposes an amendment numbered 3836.

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

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

The amendment is as follows:

(Purpose: To repeal the increase in tax on Social Security benefits.)

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS
SEC. 601. REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.

(a) REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.—

(1) IN GENERAL.—Paragraph (2) of section 86(a) (relating to social security and tier 1 railroad retirement benefits) is amended by adding at the end the following new flush sentence:

“This paragraph shall not apply to any taxable year beginning after December 31, 2000.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2000.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

Mr. GRAMS. Mr. President, this is a very simple amendment. The amendment repeals the 1993 tax increase that was imposed as part of the Clinton tax package in 1993, but this was an additional increase in taxes on seniors' Social Security benefits. While we should repeal all of the taxes on seniors' Social Security benefits, as it was when Social Security began, as I have proposed in my legislation, S. 488, I believe this amendment is at least a move in the right direction, and that is to restore some fairness for our senior citizens.

This amendment, as I said, repeals completely President Clinton's 1993 tax increase on seniors' Social Security benefits. The repeal does not affect Medicare because the revenue loss is offset by the non-Social Security surplus. We are holding the Medicare trust fund harmless while correcting what I believe, and I think the majority in Congress believe, is the injustice of the 1993 tax increase on Social Security benefits for our senior citizens.

There are many compelling reasons to repeal this unfair tax increase. When Congress established the Social Security program, the benefits that were then paid to senior citizens were exempt from all Federal income tax. In fact, Social Security benefits were not taxed at all by the Federal Government for nearly half a century. However, when Social Security encountered a financial crisis in the early 1980s, Congress began taxing the benefits. Half—50 percent—of Social Security benefits were subjected to taxation if a single senior citizen earned an annual income of over \$25,000 a year and where a couple earned more than \$32,000 a year. With the couples and the singles, this is almost a marriage penalty on senior citizens in their retirement benefits.

In 1993, when President Clinton needed even more money to fund his new spending programs, he increased the taxable portion of Social Security benefits from the 50-percent level to 85 percent of income for our seniors. These tax increases have been an unfair tax burden on a number of our senior citizens. In fact, 25 percent of our retirees are affected by this provision.

I believe taxation on Social Security benefits is wrong and it is unfair because Social Security benefits are already earned benefits for senior citizens. By that I mean that Federal income tax has already been paid on Social Security contributions. I do not know if a lot of people realize this, but before they take Social Security out of your check, the Government taxes it. So for your whole life, all of your Social Security earnings have already been taxed before the Government takes it and puts it into the system. What they are saying now is they want to tax you again as you bring it out not at 50 percent, but as high as 85 percent for up to 25 percent of our seniors. This is a very unfair tax. Yet the Government is now taxing them again on the benefits they are collecting. Clearly, taxing Social Security benefits is a double taxation.

Millions of senior citizens planned for their retirement based on the expectation that their benefits would not be taxed. As the tax rate continues to grow and health care costs are also increasing, the income of more and more senior citizens is falling along with their standard of living.

Social Security has become the primary source of retirement income for most Americans, and as I said, as the health care costs go up and the Government is taking more money from them in taxes, it leaves them less to pay for health care and to pay for prescription drugs if they need it. It all, again, goes back because the Government wants a bigger part of their income.

Six out of 10 recipients today get more than half of their income from Social Security. For some families, Social Security benefits are the only source of their retirement income, and research shows American seniors will depend even more on just Social Security income in the future. That is because a lot of our citizens today do not have money left at the end of the month to put into a savings account for their retirement. They are left with only one choice, and that is Social Security. Again, they have less left at the end of the month to put into a savings account because Government taxes are going up. In fact, they are 15 times higher on a household today than they were at the turn of the century in 1900.

Although Social Security has helped many American seniors, the income that is derived from Social Security is often insufficient to maintain a decent retirement today. For example, 1995 data shows that male retirees received on average \$810 a month in benefits. Women received only \$621 a month from Social Security. I repeat, data from 1995 shows on average \$810 a month for men when they retire, and only \$621 on average for women when they retire.

In fact, Social Security benefits are paltry, which is one reason why the poverty rate among widows is nearly 20 percent, two times greater the rate than widowers, and poverty rates are

higher among retired minority women. Twenty-nine percent of African American women and 28 percent of Hispanic women retire into poverty.

I believe it is unconscionable for Washington to tax Americans' Social Security retirement benefits.

In addition, over the past 15 years, goods purchased by seniors have increased 6 percentage points more than goods purchased by the general public. Again, their dollars are not stretching as far as they used to stretch. Their medical costs skyrocketed by 156 percent, and they have less of their retirement benefits because the Government is taxing more.

My concern is as inflation on medical and pharmaceutical goods continues to rise, without repeal of this unfair tax increase, older Americans' hard-earned Social Security benefits will be worth less and less, and that means their purchasing power will continue to diminish and so will their standard of living.

This tax hurts seniors who choose to work or must work after retirement in order to maintain their standard of living or to pay for health insurance premiums, medical care, prescriptions, and many other expenses.

This tax increase is nothing but a reduction in seniors' benefits that Washington has promised. Unlike welfare where need determines the level of benefits, Social Security is an earned right for our seniors. Taxing their benefits—again, double taxation—is simply an indirect means test on those benefits.

I bet millions of American seniors would agree with me. In fact, repeal of the 1993 tax increase has strong support in the Congress. It was part of the Republican Contract With America and was approved by the House as part of the omnibus reconciliation bill in 1995. In the 106th Congress, 14 bills have been introduced calling for the repeal of this unjust increase in taxation. Some will argue that Medicare will be hurt through this amendment, but, in fact, Medicare funding will be left untouched. Social Security tax dollars going to Medicare will be supplanted by general revenue funds. I believe all of us recognize the need to preserve the integrity of the Medicare program. Therefore, I have ensured through this amendment that it will not harm Medicare.

Many seniors across the country strongly support the repeal of this unfair tax increase. Seniors' organizations such as United Seniors and the Council for Government Reform strongly favor its repeal. The National Committee to Preserve Social Security and Medicare has also stated that it favors the repeal of this 1993 tax increase that was imposed by President Clinton on our senior citizens.

The American Association of Retired Persons originally opposed the 1993 tax increase and has not changed its position. In this era of budget surplus, there is absolutely no reason at all for the Government to continue taxing our seniors' retirement income in order for

the Government to subsidize excessive spending from Washington.

I believe seniors deserve tax relief so they can keep a little more of their own money in their pockets, again, so they can help pay for their own medical bills, their prescriptions, and other expenses.

I urge my colleagues to support this amendment.

Mr. President, I yield the floor and reserve the remainder of my time.

Mr. President, how much time do I have remaining?

THE PRESIDING OFFICER. The Senator has 48 seconds.

Mr. GRAMS. Mr. President, I reserve the remainder of my time.

Mr. KYL. Mr. President, I thank my colleague from Minnesota for offering this amendment.

This has been a long time in coming. Just about 7 years ago, on August 6, 1993, the Vice President cast the deciding vote in this Chamber to raise taxes on Social Security benefits. That same day, in the House of Representatives, I introduced legislation to roll back that Clinton-Gore tax hike for seniors. I was proud to have my colleague from Minnesota as a cosponsor of that bill, and I am pleased to offer my support for his amendment today.

Millions of Americans depend on Social Security as a critical part of their retirement income. Having paid into the program throughout their working lives, older Americans plan their retirement budgets very carefully assuming that expected benefits will be there.

The 1993 Clinton-Gore Social Security tax hike upset the carefully laid plans of millions of retirees by subjecting to federal taxation 85% of the benefits earned by seniors above \$34,000—or \$44,000 for a couple. For affected seniors, this constituted an increase of as much as 70 percent in the marginal tax rate.

The result is that seniors who had planned to continue building their nest eggs after retirement found themselves facing an overwhelming disincentive to continue earning.

This is not just counterproductive—it is blatantly unfair. Younger investors face no such disincentives to save and invest. And yet investment income is much more important to seniors than it is younger citizens. Sixty percent of seniors' income is derived from their investments.

It is simply not credible to dismiss the millions of Americans who must pay this unfair tax hike as "the rich." Last year, 4.6 million American households had to pay more in taxes than they would have had the Clinton-Gore increase not been in effect. That is more than a quarter of all households that include at least one Social Security beneficiary.

Earlier this year, we came together on a bipartisan basis to repeal the Social Security earnings limit. At that time, I wondered if the unanimous vote

to put an end to that relic of the Depression Era indicated a new willingness to remove the barriers that discourage older Americans from supplementing government assistance with self-help.

Our vote on the Grams amendment will demonstrate which Members of this body are prepared to follow through on that principle. I certainly hope that this vote will be just as overwhelming as the vote on the earnings limit.

The PRESIDING OFFICER. Who yields time?

The Senator from Nevada.

Mr. REID. Mr. President, as soon as the time expires on the majority side, we will yield back the remainder of our time. The respective Cloakrooms have hotlined all Senators. I ask unanimous consent that the vote start when the time is yielded back rather than at 6:30.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Does the Senator from Minnesota yield back the remainder of his time?

Mr. GRAMS. Mr. President, I reiterate this is an unfair tax. This is double taxation on senior citizens, raising it from 50 to 85 percent on their income, and at a time when we are talking about seniors needing additional dollars to help pay their medical bills, and especially to help them meet their prescription drug bills. So I think this would be one way to enable our seniors to have a little more say in their income and be able to provide for themselves a little better.

I urge my colleagues to support this amendment to repeal the President's 1993 tax on Social Security earnings for our retired Americans.

I yield back the remainder of our time.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I simply point out that this amendment would move us backward in our efforts to produce a stable and continuous Social Security and Medicare systems.

In 1993, I was chairman of the Finance Committee. We expanded provisions with respect to the normal taxation of benefits received from Social Security, just as all other pension benefits, are taxed, which is to say, taxes on that part which is not taxed as employee income at the time the contribution is made. This obviously only affects persons with substantial income who are subject to the income tax. I think a quarter of Social Security recipients will pay no tax of any kind, they having low incomes generally and are below the income tax thresholds.

We did this as part of a general program to secure the Social Security system for the next 75 years. We have not completed this work. We have to adjust the Consumer Price Index. We have to bring in State and local employees, almost a quarter of whom pay no Social Security tax on their regular job but

pick up Social Security on the side and get a much higher return than the persons who pay through their regular employee.

The exemption for State and local employees is an anachronism that we inherited from 1935 when it was not clear that the Federal Government could tax a State government, and the issue was just not joined. It is now clear. Most State governments do it; some do not.

There are another few corrections that could be made. And then we have an actuarially sound program for 75 years. To go back now on this one step we have made is to go back to a prospect that in 15 years' time the Social Security system will not be bringing in the amount of revenues it needs to pay benefits and we will start drawing out of general revenues, and very quickly the insurance system will cease to be that, it will be a transfer of payments subject to all of the difficulties we have seen with such payments. And we will do the same to the solvency of Medicare as this change would accelerate the date of the Medicare Hospital Insurance Trust Fund from 2025 to 2020.

I remind the distinguished Presiding Officer that the one change we have seriously made in the Social Security system in this decade is to abolish the provision for children, title IV-A, which was a direct transfer.

I hope we do not accept this amendment.

Mr. President, I yield the floor.

Mr. GRAMS. Mr. President, I ask unanimous consent that I have at least 30 seconds to respond.

Mr. REID. I object.

Mr. GRAMS. I thought all time had been yielded back.

Mr. DASCHLE. Mr. President, I ask unanimous consent the Senator be recognized for 30 seconds.

The PRESIDING OFFICER. Is there objection?

Without objection, the Senator is recognized for 30 seconds.

Mr. GRAMS. Mr. President, all I want to say is that if it is justifiable to increase taxes on our senior citizens to help supplement the Social Security system, it would be like increasing taxes on our farmers so we could give them a better farm bill. It would be like taking more taxes from the farmers so we can give them more back in the farm program. It is saying: Let's tax our seniors at a higher rate—which is unfair—so we can give them more back to stabilize the Social Security system. It is a basic double taxation.

I urge my colleagues to support the amendment.

Mr. MOYNIHAN. Mr. President, I say to the Senator, this is not, sir, double taxation. This is the normal taxation of retirement benefits.

The PRESIDING OFFICER. Does the Senator yield back all his time?

Mr. MOYNIHAN. I yield back.

AMENDMENT NO. 3828

The PRESIDING OFFICER. All time having been yielded back, under the

previous order, the Senate will now address the BINGAMAN amendment No. 3828. The question is on agreeing to the motion to waive the Budget Act.

There are 2 minutes equally divided. Who yields time?

Is all time to be yielded back?

Mr. REID. All time has been yielded back on all these amendments.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

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

[Rollcall Vote No. 184 Leg.]

YEAS—47

Akaka	Edwards	Lieberman
Baucus	Feingold	Lincoln
Bayh	Feinstein	Mikulski
Biden	Graham	Moynihan
Bingaman	Harkin	Murray
Boxer	Hollings	Reed
Breaux	Inouye	Reid
Bryan	Johnson	Robb
Byrd	Kennedy	Rockefeller
Chafee, L.	Kerrey	Sarbanes
Cleland	Kerry	Schumer
Conrad	Kohl	Specter
Daschle	Landrieu	Torricelli
Dodd	Lautenberg	Wellstone
Dorgan	Leahy	Wyden
Durbin	Levin	

NAYS—53

Abraham	Frist	McConnell
Allard	Gorton	Murkowski
Ashcroft	Gramm	Nickles
Bennett	Grams	Roberts
Bond	Grassley	Roth
Brownback	Gregg	Santorum
Bunning	Hagel	Sessions
Burns	Hatch	Shelby
Campbell	Helms	Smith (NH)
Cochran	Hutchinson	Smith (OR)
Collins	Hutchison	Snowe
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Kyl	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Voinovich
Enzi	Mack	Warner
Fitzgerald	McCain	

The PRESIDING OFFICER. On this vote, the yeas are 47, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3829

The PRESIDING OFFICER. Under the previous order, we now deal with the Roth amendment numbered 3829 with 2 minutes equally divided.

Who yields time?

Mr. ROTH. Mr. President, I will be very brief in the interest of saving time.

My amendment will eliminate the telephone tax. I think this has broad bipartisan support.

I urge everyone to comport with the amendment.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, this amendment has bipartisan support. I wonder if we can have a voice vote on it.

The PRESIDING OFFICER. The yeas and nays have not been ordered.

Mr. ROTH. We ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the amendment. The clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 97, nays 3, as follows:

[Rollcall Vote No. 185 Leg.]
YEAS—97

Abraham	Enzi	Mack
Akaka	Feingold	McCain
Allard	Feinstein	McConnell
Ashcroft	Fitzgerald	Mikulski
Baucus	Frist	Moynihan
Bayh	Gorton	Murkowski
Bennett	Gramm	Murray
Biden	Grams	Nickles
Bingaman	Grassley	Reed
Bond	Gregg	Reid
Boxer	Hagel	Robb
Breaux	Harkin	Roberts
Brownback	Hatch	Rockefeller
Bryan	Helms	Roth
Bunning	Hutchinson	Santorum
Burns	Hutchison	Sarbanes
Byrd	Inhofe	Schumer
Campbell	Inouye	Sessions
Chafee, L.	Jeffords	Shelby
Cleland	Johnson	Smith (NH)
Cochran	Kennedy	Smith (OR)
Collins	Kerry	Snower
Conrad	Kerry	Specter
Coverdell	Kohl	Stevens
Craig	Kyl	Thomas
Crapo	Landrieu	Thompson
Daschle	Lautenberg	Thurmond
DeWine	Leahy	Torricelli
Dodd	Levin	Warner
Domenici	Lieberman	Wellstone
Dorgan	Lincoln	Wyden
Durbin	Lott	
Edwards	Lugar	

NAYS—3

Graham	Hollings	Voinovich
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The amendment (No. 3829) was agreed to.

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

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 3824

The PRESIDING OFFICER. The question now is on the motion to waive the Budget Act with respect to the Graham amendment, No. 3824. The yeas and nays have been ordered.

There is 2 minutes of debate equally divided. Who yields time?

Mr. GRAHAM. Mr. President, when we adopted the budget resolution, we allocated \$40 billion over 5 years to finance a prescription medication benefit. Two things have happened since then, and a third is about to happen.

The first thing that happened is we have recognized that \$40 billion over 5, which is actually over 3 years that the prescription benefit will be available, would result in a prescription medication benefit that would be less than a third of the prescription medication benefit which most health insurance programs for over-65-year-olds provide. So we are about to propose going in with a grossly deficient prescription medication benefit if we restrict ourselves to the \$40 billion.

The second thing that happened is we have new revenue estimates which have quadrupled the amount of surplus we are going to have.

The third thing is we have just made a series of decisions already tonight, which will be confirmed by final passage, to spend some \$100 billion over 5 years for tax cuts, from the estate tax to the R&D tax to the phone tax cut we just passed, and if we pass the Social Security cut of Senator GRAMS.

How can we go home and say we can pass \$100 billion over 5 years in these tax cuts but cannot add \$40 billion which will allow us to finance a decent prescription benefit for 40 million American elderly?

The PRESIDING OFFICER (Mr. SESSIONS). The time of the Senator has expired. Who yields time? The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I have raised the point of order on this amendment. Let me just recap for you.

Not too many months ago, we produced a budget resolution. There was debate in committee. We started at \$20 billion as a good starting point to reform Medicare and provide some prescription drugs. Just to show the sequence, the ranking member, Senator LAUTENBERG, thought we ought to have \$35 billion. Before we finished, a bipartisan solution was crafted by the distinguished Senator from Maine, as I recall, and the distinguished Senator from Oregon. It was heralded as the solution. It was \$20 billion to reform, \$20 billion for prescriptions. Everybody said, "Good."

That is in effect. When somebody comes to the floor tonight, with a few days left in the session, and wants to rewrite the budget and change that to \$80 billion, I say the seniors know we just cannot continue to have this kind of bidding. We will bankrupt Medicare ultimately and we will not get the kind of reform we need and we will be holding out to them a bankrupt system, but we got prescription drugs. Incidentally, the President thought we could do it with \$31 billion, and he would not start it for 3 full years. How do you like that?

All of a sudden, we have the solution to all the problems, and the solution is, not \$20 billion, not \$35 billion that Senator LAUTENBERG wanted, not even \$40 billion. It is \$80 billion.

The point of order is real substance in this case. Seniors know we should not be doing this because of their future and the children's future. We should not be trying to raise the ante on the floor.

The PRESIDING OFFICER. The time of the Senator has expired. The question is on agreeing to the motion. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The yeas and nays resulted—yeas 46, nays 53, as follows:

[Rollcall Vote No. 186 Leg.]

YEAS—46

Akaka	Feingold	Lieberman
Baucus	Feinstein	Lincoln
Bayh	Graham	Mikulski
Biden	Harkin	Moynihan
Bingaman	Hollings	Murray
Boxer	Inouye	Reed
Breaux	Jeffords	Reid
Bryan	Johnson	Robb
Byrd	Kennedy	Rockefeller
Chafee, L.	Kerry	Sarbanes
Conrad	Kerry	Schumer
Daschle	Kohl	Snowe
Dodd	Landrieu	Wellstone
Dorgan	Lautenberg	Wyden
Durbin	Leahy	
Edwards	Levin	

NAYS—53

Abraham	Fitzgerald	McConnell
Allard	Frist	Murkowski
Ashcroft	Gorton	Nickles
Bennett	Gramm	Roberts
Bond	Grams	Roth
Brownback	Grassley	Santorum
Bunning	Gregg	Sessions
Burns	Hagel	Shelby
Campbell	Hatch	Smith (NH)
Cleland	Helms	Smith (OR)
Cochran	Hutchinson	Specter
Collins	Hutchison	Stevens
Coverdell	Inhofe	Thomas
Craig	Kyl	Thompson
Crapo	Lott	Thurmond
DeWine	Lugar	Voinovich
Domenici	Mack	Warner
Enzi	McCain	

NOT VOTING—1

Torricelli

The PRESIDING OFFICER. On this vote, the yeas are 46, the nays are 53. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3834

The PRESIDING OFFICER. The question occurs on amendment No. 3834. There are 2 minutes for debate. Who seeks time?

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, with this amendment we are making very certain that farmers are a high priority with this bill and with this body.

This amendment is a major package of tax benefits for farmers: No. 1, the farmers savings account; No. 2, fixing a number of misguided IRS decisions that are very detrimental to farming and not within the intent of Congress; No. 3, repealing the draconian installment sales provision which is a No. 1 provision that small business seeks; No. 4, to increase bonding for beginning farmers.

I thank Senators ROTH, ROBERTS, BROWNBACK, LUGAR, and GRAMS for their contributions. I urge its adoption.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, is the Senator from Iowa going to require a recorded vote on this?

Mr. GRASSLEY. No.

Mr. REID. Mr. President, while everybody is here, we can finish quickly tonight if everybody adheres to the 10 minutes. The votes are running over 10 minutes considerably. I hope we can all vote on time and move this bill along a little more quickly.

The PRESIDING OFFICER. The Senator is correct. It will move faster.

If there is no further debate, the question is on agreeing to amendment No. 3834.

The amendment (No. 3834) was agreed to.

AMENDMENT NO. 3835

The PRESIDING OFFICER. The question is on the adoption of the motion to waive the Budget Act with regard to the Baucus amendment No. 3835. There are 2 minutes for debate.

Who seeks time?

The Senator from Montana.

Mr. BAUCUS. Mr. President, this is a good amendment which includes the best two-thirds of the estate tax relief in the House bill, which is the bill promoted by the majority side. It combines this estate tax relief with important incentives for middle-income persons to save for their retirement. Retirement security is known as a stool with three legs—Social Security, employer-sponsored pension plans and personal savings. This amendment goes a long way toward strengthening those last two legs for middle and lower-income America. By giving a tax credit to those under \$75,000 in income to encourage them to save for retirement, and tax credits to small businesspeople who set up new plans for their workers, we can truly help average Americans save for the future.

The PRESIDING OFFICER. The Senator's 1 minute has expired.

The Senator from Delaware.

Mr. ROTH. Mr. President, this amendment includes the Democratic substitute that fails to sunset the death tax. Moreover, the amendment includes two additional provisions which cause the Finance Committee to exceed its 301 spending allocation.

I urge a "no" vote on waiving the point of order.

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

The legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The yeas and nays resulted—yeas 44, nays 55, as follows:

[Rollcall Vote No. 187 Leg.]

YEAS—44

Akaka	Edwards	Levin
Baucus	Feingold	Lieberman
Bayh	Feinstein	Lincoln
Biden	Graham	Mikulski
Bingaman	Harkin	Moynihan
Boxer	Hollings	Murray
Breaux	Inouye	Reed
Bryan	Johnson	Reid
Chafee, L.	Kennedy	Robb
Cleland	Kerrey	Rockefeller
Conrad	Kerry	Sarbanes
Daschle	Kohl	Schumer
Dodd	Landrieu	Wellstone
Dorgan	Lautenberg	Wyden
Durbin	Leahy	

NAYS—55

Abraham	Brownback	Cochran
Allard	Bunning	Collins
Ashcroft	Burns	Coverdell
Bennett	Byrd	Craig
Bond	Campbell	Crapo

DeWine	Hutchison	Sessions
Domenici	Inhofe	Shelby
Enzi	Jeffords	Smith (NH)
Fitzgerald	Kyl	Smith (OR)
Frist	Lott	Snowe
Gorton	Lugar	Specter
Gramm	Mack	Stevens
Grams	McCain	Thomas
Grassley	McConnell	Thompson
Gregg	Murkowski	Thurmond
Hagel	Nickles	Voinovich
Hatch	Roberts	Warner
Helms	Roth	
Hutchinson	Santorum	

NOT VOTING—1

Torricelli

The PRESIDING OFFICER. On this vote, the yeas are 44, the nays are 55.

Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

AMENDMENT NO. 3836

The PRESIDING OFFICER. The question now is on the Grams amendment No. 3836. There will be 2 minutes equally divided.

Who seeks recognition?

Mr. GRAMS. Mr. President, this is a very simple amendment. It asks for the repeal of the 1993 tax increase that was placed on Social Security benefits. By the way, that does not affect Medicare because we have provided offsets to do that in this amendment.

For the first 50 years of Social Security, there was no Federal tax on the benefits our seniors received from Social Security. You were taxed on those benefits before it was taken out of your check and not when you received the benefits. But in the 1980s, they put on a tax and exposed 50 percent of the benefits. Then in 1993, under President Clinton's tax increase plan, it increased to 85 percent. Social Security is taxed before being taken from your checks. Now it is taxed up to 85 percent when you receive the benefits. That is double dipping, and, at a time when health care costs are going up and we are debating prescription drug benefits, we need to leave more dollars in our seniors' pockets.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. MOYNIHAN. Mr. President, I repeat, sir, that the 1993 measure was part of a long-range effort to restore actuarial balance to the Social Security and Medicare systems. It treats Social Security income, retirement income, as all other retirement income is treated. That part for which taxes have been paid is exempted. The rest is taxed normally for others. Low-income beneficiaries of Social Security would pay no tax. This money goes into the Medicare trust fund and is part of the long-term solvency we seek.

I thank the Chair.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. DASCHLE. Mr. President, we can proceed to the vote now.

The PRESIDING OFFICER. The question is on agreeing to the Grams amendment No. 3836. The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. REID. I announce that the Senator from New Jersey (Mr. TORRICELLI) is necessarily absent.

The PRESIDING OFFICER (Mr. HUTCHINSON). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 58, nays 41, as follows:

[Rollcall Vote No. 188 Leg.]

YEAS—58

Abraham	Feinstein	McCain
Allard	Fitzgerald	McConnell
Ashcroft	Frist	Murkowski
Bennett	Gorton	Nickles
Bond	Gramm	Roberts
Brownback	Grams	Roth
Bunning	Grassley	Santorum
Burns	Gregg	Sessions
Campbell	Hagel	Shelby
Chafee, L.	Hatch	Smith (NH)
Cochran	Helms	Smith (OR)
Collins	Hutchinson	Snowe
Conrad	Hutchison	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
Crapo	Johnson	Thompson
DeWine	Kyl	Thurmond
Domenici	Lott	Warner
Dorgan	Lugar	
Enzi	Mack	

NAYS—41

Akaka	Feingold	Lincoln
Baucus	Graham	Mikulski
Bayh	Harkin	Moynihan
Biden	Hollings	Murray
Bingaman	Inouye	Reed
Boxer	Kennedy	Reid
Breaux	Kerrey	Robb
Bryan	Kerry	Rockefeller
Byrd	Kohl	Sarbanes
Cleland	Landrieu	Schumer
Daschle	Lautenberg	Voinovich
Dodd	Leahy	Wellstone
Durbin	Levin	Wyden
Edwards	Lieberman	

NOT VOTING—1

Torricelli

The amendment (No. 3836) was agreed to.

Mr. LOTT. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. LOTT. Mr. President, I know Senators are anxious to get an agreement on how we proceed at this point. Once again, I thank the Democratic leader for his work with us as we develop these unanimous consents. It is next to impossible to accommodate every Senator's wishes. My goal is to try to find a way to get this work completed in as reasonable a time as possible. I think this will help us get that done.

With regard to the legislation before the Senate, I ask consent that the time

between now and 10 p.m. be equally divided in the usual form between the two leaders, and the following amendments be debated for up to 10 minutes, equally divided, in the following order: the Kerry amendment regarding housing; Santorum regarding community renewal; Harkin on Social Security; Roth on retirement; Wellstone-Dodd on child care adoption tax credit; Bayh on long-term care, self-employed health care; Lott on ESAs, et cetera; Feingold amendment on \$100 million cap; and the final motion to recommit by myself.

I further ask consent at 9 a.m. on Friday the Senate proceed to a series of votes in relation to the above-listed amendments in the order offered, with 2 minutes of debate equally divided for each amendment prior to each vote.

Mr. DASCHLE. Reserving the right to object, I suggest to the majority leader, we have been consulting on the order. On our side, Senators DODD and WELLSTONE would like to switch the order with Senator HARKIN. I make that modification.

We have a number of Senators who are hopeful they can catch planes. It is so tight that if we have the 2 minutes of debate, in a couple of cases they may miss their planes. I ask that we delete that for this time only. I know it is a very important matter, and oftentimes it is essential for Members to understand the amendments. We will have tonight and tomorrow morning to look at these amendments. I ask that we delete the reference to the 2 minutes.

Mr. LOTT. I think those are reasonable requests, so I modify my request, No. 1, to move the Wellstone-Dodd amendment in order after Santorum and before the Harkin amendment; and that the 2 minutes of debate equally divided be deleted.

Mr. KERRY. Reserving the right to object, I don't know whether I misheard the majority leader or whether he said 10 minutes equally divided; I think he means 20 minutes equally divided.

Mr. LOTT. It is 10 minutes equally divided, not 20 minutes.

Mr. DASCHLE. If I could respond to the Senator's inquiry, if it could accommodate some of those Senators who need more time, we still have more time on the bill. I am happy to authorize the use of whatever additional time allocated to me to those Senators who may require some additional time to further explain their amendment, keeping, therefore, the 10 minutes in the unanimous consent request if that accommodates the Senators.

Mr. LOTT. I, too, make the point that brevity, succinctness, and targeted debate is very persuasive.

Mr. KERRY. Does that mean if I speak for 1 minute the Senator will vote with me?

Mr. LOTT. It would be much more likely.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. LOTT. Mr. President, with regard to reconciliation and the marriage penalty tax issue, there is an awful lot of interest in that matter in how we proceed tomorrow. We will have a series of stacked votes tomorrow morning, possibly as many as nine.

But I believe we can get through it in a reasonably short period of time—hopefully 2 hours. If Senators will come to the floor for the first vote and stay on the floor, we can move much more quickly and we will be able to be completed with that series, I hope, by 11 o'clock, on the marriage penalty.

UNANIMOUS CONSENT AGREEMENT H.R. 4810

I now ask unanimous consent, notwithstanding any provisions governing the reconciliation budget process, that immediately following the passage of H.R. 8 on Friday, July 14, the Senate turn to consideration of H.R. 4810, the reconciliation bill, and the Senate bill be offered as an amendment and immediately be agreed to and considered as original text for the purpose of further amendments, and the following amendments be the only first-degree amendments in order, and limited to all the restraints outlined in the budget resolution, except that each amendment be limited to up to 30 minutes each with 20 minutes for any second-degree amendment.

Those amendments are as follows. I send to the desk the amendments that have been requested by Republican Members and Democratic Members.

The list is as follows:

Grams—Social Security.
 B. Smith—Internet Tax.
 B. Smith—Marriage penalty.
 B. Smith—Relevant.
 B. Smith—Relevant to anything on the list.
 Coverdell—Relevant.
 Murkoswki—Relevant.
 Stevens—Sec. 415.
 Stevens—Income averaging fishermen.
 Stevens—Empty seat.
 Stevens—Whaling captains deductions.
 Stevens—Permanent diesel dye exemptions.
 Stevens—Settlement trust.
 Lott—Relevant to anything on the list.
 Lott—Relevant to anything on the list.
 Gramm—Relevant.
 Gramm—Relevant.
 Burns—Installment sales.
 Roth—Sunset.
 Abraham—Relevant.
 Cleland—Savings Bond exemption long term care.
 Cleland—Extend deduction computer donations.
 Conrad—Medicare Social Security lockbox.
 Daschle—Pay equity.
 Daschle—Pay equity.
 Daschle—Pay equity.
 Daschle—Relevant.
 Daschle—Relevant to anything.
 Daschle—Relevant to anything.
 Dodd—Child care.
 Dorgan—Tax related.
 Durbin—100% deductibility—self employed.
 Durbin—Tax credit for small business.
 Feingold—Medicare and Social Security solvency.
 Feingold—Expansion of standard deduction.
 Feingold—COBRO and percentage depletion allowance.

Feinstein—Paycheck fairness.

Hollings—Relevant.

Kennedy—Prescription drugs.

Kennedy—Health care—marriage penalty.

Kennedy—Equal pay.

Kohl—Child care tax credit.

Lautenberg—High speed rail tax credit.

Moynihan—Substitute.

Robb—Relevant.

Schumer—Tuition tax (with Biden and Snowe).

Torricelli—ALS.

Torricelli—Lead (with Reed).

Torricelli—Increasing deduction for casualty losses.

Torricelli—Marriage penalty for individuals suffering casualty losses.

Wellstone—Moratorium on Medicare cuts.

Wellstone—EITC expansion.

Reid—Relevant to anything.

Reid—Relevant.

Harkin—Relevant.

Harkin—Medicare.

Mr. LOTT. I further ask unanimous consent that all amendments be debated during Friday or Saturday's session of the Senate, and those amendments, both first- and second-degree amendments, may be laid aside for other amendments to be offered as deemed necessary by either leader.

I further ask consent that the votes ordered with respect to the amendments occur in a stacked sequence beginning at 6:15 p.m. on Monday, July 17, with 2 minutes prior to each vote for explanation, if it is requested of course, and all votes after the first vote in the sequence be limited to 10 minutes each.

The PRESIDING OFFICER. Is there objection?

Mr. DASCHLE. Reserving the right to object, I ask for one minor modification. With reference to either of the leaders, I suggest we add "or designee," or "a leader designee."

Mr. LOTT. I think that is a reasonable request, Mr. President. I modify my request to that effect.

The PRESIDING OFFICER. Is there objection?

Mr. ABRAHAM. Mr. President, I noted I did not have an amendment on the list. I was wondering if I might add an Abraham relevant amendment on the list.

Mr. LOTT. I ask unanimous consent that, to the list of Republican amendments, a relevant amendment by Senator ABRAHAM be added.

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

Mr. LOTT. In light of this agreement then, Mr. President, there will be no further votes tonight. The next votes will occur at 9 a.m. on Friday in stacked sequence, with 9 or 10 back-to-back votes that could be required. I hope Senators will consider the possibility of not offering their amendments or agreeing to a voice vote, if there is any way possible to accommodate other Senators, so the sequence won't go on longer than a couple of hours.

Following those stacked votes on Friday, Members who have amendments to reconciliation and marriage penalty tax will have to stay around to offer and debate them. It can take up

to as long as 20 hours. Senators who have amendments on these lists, if they want to offer them, need to be here to offer them and they need to make their case because there will not be an opportunity, other than the 2 minutes equally divided, to talk about the specifics on Monday night. So these votes will be stacked in sequence at 6:15 on Monday, July 17.

I thank again all my colleagues for their cooperation. I know this does not meet everybody's scheduling desires. I had actually hoped to be able to finish the marriage penalty tax tomorrow night or Saturday, but this agreement allows us to get it done, I think, in an efficient way, have it completed on Monday night, complete the Interior appropriations bill on Tuesday morning, and be prepared to go to the next appropriations bill after that.

I thank all Senators for their willingness to help us work through this. I yield the floor.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I allocate 5 minutes of my time under the previous agreement to the following Senators: Senator DODD, Senator KERRY, Senator HARKIN, Senator WELLSTONE, Senator BAYH, and Senator FEINGOLD. That will be 5 minutes each.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KERRY. Mr. President, I ask unanimous consent that Senators INOUE, SARBANES, DODD, and WELLSTONE be added as original cosponsors.

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

Mr. DASCHLE. Will the Senator from Massachusetts yield?

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, I add to that request 5 minutes for Senator LIEBERMAN.

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

The Senator from Massachusetts.

AMENDMENT NO. 3839

(Purpose: To establish a National Housing Trust Fund in the Treasury of the United States to provide for the development of decent, safe, and affordable housing for low-income families)

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Massachusetts [Mr. KERRY], for himself and Mr. SARBANES, Mr. INOUE, Mr. DODD and Mr. WELLSTONE, proposes an amendment numbered 3839.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. KERRY. Mr. President, I come to the floor today to offer an amendment

to the estate tax repeal bill. This amendment would establish a National Affordable Housing Trust Fund to fill the growing gap in our ability to provide affordable housing in this country.

Over the past two decades, income and wealth disparities in our country have increased. The gap between the rich and the poor has widened. Even our robust economy has not been able to bridge the great divide between the haves and have-nots.

This great divide remains impassable for millions of Americans who struggle to survive on the minimum wage. This divide remains impassable for millions of Americans who have no health insurance, no prescription drug coverage. This divide remains impassable for millions of Americans who cannot afford housing, child care, or a college education, who cannot afford to even finish high school because they must drop out and work in order to support their family.

Despite the economic boom that heralded in the new millennium, poverty rates in our country have dropped only marginally. Today, 1 out of every 5 children still lives in poverty, compared with 1 out of every 7 in the 1970s. The number of families living in extreme poverty—on less than \$6,750 a year for a family of 3—has increased from 13.9 million in 1995 to 14.6 million in 1997. Over the 1990's, the average real income of high-income families grew by 15 percent, while average income grew by less than 2 percent for middle-income families and remained the same for the lowest-income families.

I ask, with the futures of so many lower- and middle-income Americans hanging in the balance, what is the majority in Congress doing? What is the majority in Congress defining as a top priority?

Would you believe a tax cut for the richest of the rich? Indeed they have. It is before us today. A tax break for the highest income earners in our country. A fiscally irresponsible tax cut which stands to threaten our non-Social Security surplus and undercut the critical investments we should be making in the future of all Americans.

According to the Joint Committee on Taxation, the Republican proposal to repeal the estate tax will cost \$105 billion over the first 10 years, as it slowly phases in. Once the repeal has been fully implemented, it will cost an additional \$50 billion each year. That comes out to roughly three-quarters of a trillion dollars over 20 years.

Three-quarters of a trillion dollars is a generous hand-out, Mr. President. But into exactly whose hands does it fall? Does it go to the senior citizen who has survived one heart attack only to find that she cannot afford her cholesterol lowering medication? Does it go to the decorated homeless veteran who cannot afford to put a roof over his head? Does it go to the graduating high school senior who cannot afford to pay tuition and be the first generation of his family to go to college?

The simple answer is no. The estate tax repeal would give the Forbes 400 richest Americans a windfall of \$250 billion—that is enough to pay for prescription drug coverage, housing costs, and college scholarships for millions of Americans.

The majority's priorities are misguided, irresponsible, and an affront to the American public. Don't get me wrong; I support targeted estate tax relief for small businesses and family farms. Owners of small businesses and farms should neither be penalized for their success nor denied the opportunity to pass their family businesses on to future generations. And the Democratic alternative which I support would increase the exemption for family-owned small businesses and farms from \$1.3 million to \$4 million by 2001, and to \$8 million by 2010. But the outright repeal proposed by the majority goes far beyond what is necessary to save family businesses and family farms.

Let's be clear: The majority is serious about one thing—unwise, unrealistic, and untenable tax cuts for the wealthiest Americans at a time when the Federal tax burden has shrunk to its lowest level in four decades; at a time when low- and middle-income Americans are struggling to afford decent health care, housing, and education.

I ask my colleagues, does anyone really believe that Donald Trump, Bill Gates, or Steve Forbes needs a tax cut? Does anyone really believe that before doing anything to strengthen Social Security and Medicare, we should provide a tax break to the wealthiest 2 percent of Americans who control 40 percent of the wealth in this Nation? Apparently, the majority believes it. That is their idea of tax fairness: millions for the rich, not a penny for the middle class.

The bottom line is: the Republican proposal mortgages America's future. It threatens our ability to reduce interest rates and protect the economy, to help secure a strong Social Security system for our nation's retirees, to modernize Medicare by establishing a prescription drug benefit for seniors and the disabled, and to provide educational assistance for those that want to climb up the ladder.

There are many more worthwhile investments we could be making with the \$750 billion this bill hands out to the extremely wealthy. I am offering an amendment to ensure that we make at least one of these critical investments—an investment in housing.

The booming economy is fueling rising housing costs. While housing prices and costs skyrocket at record pace, many families are unable to keep up. Even during this time of great economic expansion, the housing crisis in this country worsens, quickly becoming a national disgrace.

HUD estimates that 5.4 million low-income households have "worst case" housing needs. This means they are

paying over half their income towards housing costs or living in severely substandard housing. In the past decade, the number of families who have "worst case" housing needs has increased by 12 percent—that's 600,000 more American families who cannot afford a decent and safe place to live. For these families living paycheck to paycheck, one unforeseen circumstance, a sick child, a car repair bill, can send them into homelessness.

Another recent study actually estimates that 13.7 million households have critical housing needs, including 6 million working and 3.7 million elderly households.

Moreover, there is not one metropolitan area in the country where a person making minimum wage can afford to pay the rent for a two-bedroom apartment. A person needs to earn over \$11 an hour to afford the median rent for a two bedroom apartment in this country. This figure rises dramatically in many metropolitan areas: an hourly wage of \$22 is needed in San Francisco; \$21 on Long Island; \$17 in Boston; \$16 in the D.C. area; \$14 in Seattle and Chicago; and \$13 in Atlanta.

We have to remember that there are real people behind these numbers—real people who are struggling to keep their families housed each month. The stories are a testament to the need for increased affordable housing. Let me give you a few.

On Cape Cod, Susan O'Donnell a mother of three, earns \$21,000 a year working full-time. Nonetheless, she is forced to live in a campground because she can not find affordable housing. The campground she is living at has time limits, so the only way she is able to stay for a prolonged period of time is through cleaning the campground's toilets. When her time runs out at the campground, she will again be forced to move with her three children, though it is not clear where she will be able to afford to move. Skyrocketing housing costs have pushed her, and other full-time workers on the Cape out of their housing and into homelessness.

Janitors who work at high-tech companies in Silicon Valley are living in egregious conditions, including several large families living in single-family homes and others renting out garages for families to live in—garages which can cost \$750 a month. Maria Godinez, of San Jose, works full time for Sun Microsystems making \$8 an hour. She shares one bedroom of a single-family house with her husband and five children; 22 people live in that house.

Not too far from where we are today, in Fairfax County, VA, Anita Salathe and her two children live in a shelter despite her having a job and a voucher for assisted housing—there just are not enough affordable housing units. The homelessness rate in Fairfax County has increased by 21 percent in the last two years. Full-time workers are living in shelters because their paychecks are not rising fast enough to keep pace with their growing housing costs.

These stories are all too common. As housing costs rise around America, more working families are being pushed closer to homelessness.

Despite these abysmal stories, we have decreased Federal spending on critical housing programs over time. From fiscal year 1995 to fiscal year 1999, we engaged in what I call the "Great HUDway Robbery," diverting or rescinding over \$20 billion from Federal housing programs for other uses. With a few exceptions, the funding increases of this past year have gone primarily to cover the rising costs of serving existing assisted families.

Affordable housing units are being lost. Between 1993 and 1995, a loss of 900,000 rental units affordable to very low-income families occurred. From 1996 to 1998, there was a 19 percent reduction in the number of affordable housing units. This amounted to a dramatic reduction of 1.3 million affordable housing units available to low-income Americans.

We need to bring our levels of housing spending back up to where they belong. Between 1978 and 1995, the Government increased the number of households receiving housing assistance by almost 3 million. From 1978 through 1984, we provided an additional 230,000 families with housing assistance each year. This number dropped significantly to 126,000 additional households each year from 1985 to 1995.

If we hoped things could not get worse, in 1996 this nations' housing policy hit a brick wall. Not only was there no increase in families receive housing assistance, but the number of assisted units actually decreased. From 1996 to 1998, the number of HUD assisted households dropped by 51,000. In this time of rising rents and housing costs, and the loss of affordable housing units, it is incomprehensible that we are not doing more to bring the levels of housing assistance back from the dead.

It is high time that we focused on housing policies in Congress and around the country. Housing is an anchor for families. When we focus our efforts on other social issues like education and health care, it is beyond comprehension that housing does not take a front seat in these discussions.

It is no secret that neighborhood and living environment play enormous roles in shaping young lives. It should not be news that housing assistance, which helps a family maintain a stable home, is positive for low-income children. We know that a child can not learn if he has to attend 3 or 4 schools in a single year, if his family moves from relative to relative to friend to friend because his parents can't afford the rent.

A recent study conducted by Johns Hopkins University helps to show that housing assistance is beneficial. Housing assistance makes it easier to get and retain a job by providing stability. We need to ensure that every American family has these same opportunities.

We need to address the lack of opportunity, the lack of affordable housing.

I am proposing to address this severe shortage of affordable housing by establishing a National Affordable Housing Trust Fund. While we are considering a bill which allows the wealthy to pass on large estates and homes to their families, let's ensure that all Americans can afford a place to live.

My proposal would create an affordable housing production program, ensuring that new rental units are built for those who most need assistance—extremely low-income families, including working families. In addition, Trust Fund assistance will be used to promote homeownership for low-income families, those families whose incomes are below 80 percent of the area median income.

The Trust Fund aims to create long-term affordable, mixed-income developments in areas with the greatest opportunities for low-income families.

A majority of assistance from the Trust Fund will be given out as matching grants to the States which will distribute funds on a competitive basis like the low-income housing tax credit. Localities, non-profits, developers and other entities will be eligible to apply for funds. The remaining 25 percent of the Trust Fund assistance will be distributed through a national competition to intermediaries, such as large, national non-profits which will be required to leverage private funds.

This proposal will bring Federal, State and private resources together to create needed affordable housing opportunities for American families.

When we allow families in this country to live in severely distressed housing, or in situations where they are forced to move from place to place, American children suffer—they have behavioral problems, they suffer from more health problems, and they do worse in school. I think the American people understand that helping children escape these problems today will pay us back tenfold in the years to come. I think the American people understand how we can measure what actually counts in America. I think they know that housing is more than a word or a government program—it is the quality of life—it is how we measure our lives and it is how we ought to take the measure of our nation.

I urge you to support this amendment which restores our commitment to providing affordable housing for all families. We should not vote to ensure that the wealthiest Americans can retain more of their incomes and estates, while turning our back on those families who struggle each month just to put a roof over their heads.

Mr. KENNEDY. Mr. President, I strongly support Senator KERRY's proposal to create a housing trust fund. In this period of strong economic growth and record expansion, the lack of affordable housing is an increasingly serious problem for millions of families

across the country, especially low income families struggling to lift themselves out of poverty. Our national prosperity means less if firefighters, teachers, police officers, nurses, and many other hard-working Americans cannot afford to live in the communities where they work.

As long ago as 1949, the nation pledged safe, clean, decent housing for all Americans. As we begin a new century, this promise is still unfulfilled. Even worse we are not making even modest progress to achieve this goal.

The rising cost of housing is one of the most difficult challenges for many families. It is particularly serious for the elderly, many of whom also face the skyrocketing cost of prescription drugs as well.

In a period of economic prosperity such as the one we now enjoy, it is wrong that we have one of the lowest housing production levels in history. Affordable housing must be a higher priority for the Congress.

Over the past five years, more than \$20 billion has either been rescinded or diverted by Congress from federal housing programs for other uses, while the number of Americans who cannot afford a decent place to live continues to rise.

The problem is particularly acute in Massachusetts. The average time on waiting lists for public housing and housing vouchers is over 3 years, and more than 13,000 families are on those waiting lists.

In the Greater Boston area, affordable housing is not only a problem for many families, it is becoming a problem for businesses. Many of the most successful companies report difficulties in their efforts to attract and retain employees because of the high cost of housing. Without an ability to retain a strong workforce, unaffordable housing threatens to undermine prosperity at every level, federal, state, and local.

The costs of new construction and rehabilitation of existing housing are very high. The price of owning a home is increasing faster in Massachusetts than in any other state in the country.

I support the Clinton's Administration's budget request of \$32.5 billion for the Department of Housing and Urban Development for FY 2001, a 25 percent increase over FY 2000. By contrast, the budget adopted by the Republican Congress in April proposed a \$400 million reduction in the HUD budget.

The Trust Fund proposed by this amendment is an important start to ending this period of disinvestment.

Senator KERRY's amendment will provide funds for new units and for the renovation of existing units, along with increases in ownership. It channels money through local and state governments, primarily to already established programs with a track record of success. The majority of Trust Fund assistance will be used for the neediest families, including the working poor.

As we debate the misguided priority of massive tax relief for the wealthiest

2 percent of estates, I urge my colleagues instead to consider the needs of millions of families who are working hard, but who find it increasingly difficult to afford housing for their families.

I urge the Senate to support this amendment. Housing must be a higher priority for Congress. The time to act is now.

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

Mr. GRAMM. Mr. President, how much time do I have?

The PRESIDING OFFICER. Five minutes in opposition.

Mr. GRAMM. Mr. President, I will be brief in my 5 minutes.

First, I know the Senator from Massachusetts is sincere about this amendment, but I remind my colleagues of a few key points. We are here to repeal the death tax. All over America, families work, sacrifice, save, and through sweat equity build up businesses, farms, and assets. Then they die, and the Government, because they die, taxes their life's work even though they paid taxes on every dollar they earned. Too often in America, their children have to sell the farm or sell the business to give the Government up to 55 cents out of every dollar they earn. Republicans believe that is unfair, that is un-American, and that is immoral.

Our colleague from Massachusetts calls getting rid of this tax a windfall. If your parents worked a lifetime to build up a farm, and they were there when it was dry and they had droughts, they were there when there were floods and when the hail killed the crops, and they saved and sacrificed, and they did it so their children could some day run that farm, I do not call that a windfall. That is just a fundamental difference in philosophy.

There are two big-time problems with this amendment. No. 1, it sets up this new trust fund not out of taxes that were raised to pay for this activity but basically by requiring people to sell off the family farm or sell off the family business to fund this trust fund.

The second problem is, there is no point of order against it. One might ask why is that true of amendments that have been offered that spend money. It is true because this amendment takes \$5 billion that the Finance Committee was allocated to do something else with. For what were they allocated the money? They were allocated the money to repeal the marriage penalty for people who receive the earned-income tax credit. That is what this \$5 billion was for.

A janitor with three children meets a waitress with two children. They fall in love, and they find the solution to their problems. Only, under the marriage penalty, they both end up losing the earned-income tax credit, and they end up in the 28-percent tax bracket if they get married.

We are planning to use the \$5 billion that Senator KERRY would use to fund

this trust fund to repeal the marriage penalty for the lowest income individuals to be sure they do not lose their earned-income tax credit if they meet, fall in love, and get married.

Senator KERRY is trying to do a very good thing, but unfortunately there is something I think is of a higher order: repealing the marriage penalty for poor people and not taking away their earned-income tax credit. Senator KERRY is inadvertently taking this money from that purpose.

So ultimately you come down to choices. The choice he would make is: Sell the family farm, sell the family business, and let the Government have that money; and, secondly, the money you were going to take—that \$5 billion that we gave the Finance Committee in the budget to repeal the marriage penalty for low-income people, by changing the earned-income tax credit, where they do not lose it if they get married to somebody who also works—the net result of this is, sell the farm, sell the business, and take away the earned-income tax credit from the janitor and the waitress who have a total of five children, who met, fell in love, wanted to get married, and who saw it as a solution to their problem. But Senator KERRY will be sure they get subsidized housing. I do not think it is a good swap. I do not think it is a good trade. So on another day, on another issue maybe, but not today.

Finally, let me remind my colleagues, if they are worried about housing—and we would be if we did not have a house—that we have a \$1.9 billion increase in the 2000 budget for housing, \$25.9 billion for the Department of Housing and Urban Development—and that is a 7-percent increase. Very few families in America had a 7-percent increase in their income last year.

So it is a good amendment—well-intended—but we should reject it.

The PRESIDING OFFICER (Mr. ASHCROFT). The time of the Senator has expired.

Mr. KERRY. Does the Senator from Texas have any time left?

The PRESIDING OFFICER. All time has expired.

AMENDMENT NO. 3838

(Purpose: To provide for the designation of renewal communities and to provide tax incentives relating to such communities, to provide a tax credit to taxpayers investing in entities seeking to provide capital to create new markets in low-income communities, and to provide for the establishment of Individual Development Accounts (IDAs), and for other purposes)

The PRESIDING OFFICER. Under the previous order, the Senator from Pennsylvania is recognized.

Mr. SANTORUM. Mr. President, I call up amendment No. 3838.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Pennsylvania [Mr. SANTORUM], for himself, Mr. LIEBERMAN, Mr. ABRAHAM, Mr. HUTCHINSON, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, Ms. LANDRIEU, and Mr. KERRY, proposes an amendment numbered 3838.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. SANTORUM. Mr. President, the amendment that we have now before us is a package of legislation that I have been working on with my colleague from Connecticut, Senator LIEBERMAN, as well as Senator KERRY from Massachusetts, and Senator ABRAHAM, Senator KOHL, Senator HUTCHINSON, Senator TORRICELLI, and Senator DEWINE.

Mr. President, I ask unanimous consent to add Senators ASHCROFT and COLLINS as cosponsors to the amendment.

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

Mr. SANTORUM. This is a bipartisan attempt in the Senate to match the bipartisan effort that has been ongoing in the House of Representatives with the President of the United States on what is called the Community Renewal New Markets Initiative. Basically, we have taken the House-passed legislation and added a couple of very important provisions to that House-passed legislation, and we are now offering it to this death tax repeal legislation in the Senate.

The two major additions to the House-passed legislation—there are several, but the two major additions are the low-income housing tax credit, which is something that has passed this body before, and again has broad bipartisan support, raising the per capita number or allotment for the low-income housing tax credit per State; and the second is something that Senator LIEBERMAN and I have been working on now for quite some time called individual development accounts.

I think these two key provisions are very important to the idea of empowering individuals, not only in their communities, which the community renewal package does, but also in providing the opportunity for wealth accumulation through individual development accounts, and providing that incentive to save for a home, to save for a college education, to save for the startup of a new business.

In addition, there are some other very important provisions. Earlier this year, Senator ABRAHAM offered the New Millennium Classroom Act, another addition to the House-passed bill, which provides incentives for businesses to donate money to poorer schools, so we can have computer equipment in those poorer schools to bridge the digital divide.

We have a charitable choice provision, which is broader than the House provision, which was introduced by Senator ASHCROFT, the Presiding Officer, that is in line, frankly.

I was reading Vice President GORE's speech that he gave last year where he talked about a "New Partnership." He

talked about the 1996 welfare reform bill. He said:

[This provision states] that states can enlist faith-based organizations to provide basic welfare services, and help move people from welfare to work.

He goes on to say:

They can do so with public funds—and without having to alter the religious character that is so often the key to their effectiveness.

I go on to quote:

I believe we should extend this carefully tailored approach to other vital services where faith-based organizations can play a role—such as drug treatment, homelessness, and youth violence prevention.

That is just to name a few.

So what we see is that the Vice President has embraced this charitable choice provision and an expansion of that, which I think is vitally important.

With that, Mr. President, I reserve the remainder of my time.

Mr. ABRAHAM. Mr. President. I rise to support the American Community Renewal and New Markets Empowerment Amendment offered by Senators SANTORUM, LIEBERMAN, KERREY, myself and others.

This amendment represents a bipartisan effort designed to address the social and economic ills which are preventing our poorest areas from participating in the current economic boom. I strongly believe that it will go a long way toward bringing the economic growth and sense of community necessary to maintain, safe streets, strong families, and thriving neighborhoods.

Under this legislation, 50 new Renewal Communities—one for each state—would be created. Characterized by pervasive poverty, Renewal Communities provide financial incentives to promote economic growth and social health in distressed areas.

Incentives include: a zero capital gains rate, increased expensing of equipment costs for small businesses, employment wage credit for hiring Renewal Community Residents and an extension of the Brownfields provision.

In addition, our amendment would increase housing opportunities nationwide for poorer families by increasing and indexing for inflation the Low Income Housing Tax Credit and the volume caps on Private Activity Bonds.

Since implemented in 1986, thanks to the Low Income Housing Tax Credit, in Michigan, 27,000 housing units have gone up. Nationally, the credit is responsible for one million apartments dedicated to low-income tenants at restricted rents.

Mr. President, increasing the volume cap on private activity bonds will help finance thousands of single and multi-family mortgages and property improvement loans.

The legislation also calls for the establishment of Individual Development Accounts to help the working poor build financial assets.

The IDAs in this bill apply this concept nationally, giving all families the

opportunity to buy a home, further their education or start up a new business.

The amendment also includes the faith-based treatment and charitable choice provisions will continue the work started in the 1996 Welfare Reform bill.

Religious-based organizations will be able to compete on equal grounds with non-religious organizations. This will allow them to provide drug and alcohol treatment and other welfare-related services without compromising the religious nature of their treatment or organization.

The creation of privately managed, for-profit companies and the New Markets tax credit will provide the financial security necessary to bring investment to communities which would otherwise be considered too high-risk.

Finally, Mr. President, this amendment includes the New Millennium Classrooms Act, which would help address the issue of the digital divide, providing tax incentives to companies to increase the amount of computer and related technology donations to qualified recipients in designated poor areas.

To increase the amount of technology donated to schools, libraries, senior centers and vocational education centers in economically disadvantaged areas, the New Millennium Classrooms Act would expand the parameters of the current tax deduction and add a tax credit.

Introduced as the New Millennium Classrooms Act in March, 1999, this legislation has the support of 32 cosponsors and most recently passed as an amendment to the Affordable Education Act, on a vote of 96-2.

Despite the recent gains made in increasing the level of computers and technology in schools, unacceptable disparities still exist.

Schools with greater numbers of poor and minority students simply do not have the same access to the Internet and computer technology as wealthier schools and schools with lower minority enrollment.

If our poorer communities are to truly experience a complete and long-term economic rejuvenation, their residents must have access and instruction in information technologies.

Many Americans—particularly those with less income and education—are still missing out on the digital age. More and more, everyday activities migrate to the Internet. Unless we act now, the gap in opportunities available to those on the other side of the digital divide will continue to increase.

I hope that my colleagues will support this amendment to provide real hope and opportunity for all Americans.

Mr. KERRY. Mr. President, I want to speak briefly about the Santorum/Lieberman amendment being offered to the Estate Tax bill. This amendment gives the Senate the opportunity to vote on broad economic development

policies originally introduced a few weeks ago as S. 2779, the American Community Renewal and New Markets Empowerment Act.

Of the many important and innovative provisions in this legislation, I would like to focus on the community development and venture capital initiative and full funding for Round II of Empowerment Zones. Mr. President, as my colleagues may remember last year I introduced the Community Development and Venture Capital Act. The purpose of community development and venture capital is to stimulate economic development through public-private partnerships that invest venture capital in smaller businesses. Not just any small businesses, but those that are located in impoverished rural and urban areas, known as new markets, or that employ low-income people. We call these areas new markets because of the overlooked business opportunities. According to Michael Porter, a respected professor at Harvard and business analyst who has written extensively on competitiveness, “. . . inner cities are the largest underserved market in America, with many tens of billions of dollars of unmet consumer and business demand.”

Both innovative and fiscally sound, my new markets initiative is financially structured similar to Small Business Administration (SBA)'s successful Small Business Investment Company (SBIC) program, and incorporates a technical assistance component similar to that successfully used in SBA's microloan program. However, unlike the SBIC program which focuses solely on small businesses with high-growth potential and claims successes such as Staples and Calaway Golf, the New Markets Venture Capital program will focus on smaller businesses that show promise of financial and social returns, such as jobs—what we call a “double bottomline.”

To get at the complex and deep-rooted economic problems in new market areas, my initiative has three parts: a venture capital program to funnel investment money into our poorest communities, a program to expand the number of venture capital firms that are devoted to investing in such communities, and a mentoring program to link established, successful businesses with businesses and entrepreneurs in stagnant or deteriorating communities in order to facilitate the learning curve.

What I'm trying to do as Ranking Member of the Small Business Committee, and have been working with the SBA to achieve, is expand investment in our neediest communities by building on the economic activity created by loans. I think one of the most effective ways to do that is to spur venture capital investment in our neediest communities.

Building on part of the President's and Speaker HASTERT's agreement, this amendment secures full, mandatory funding for Round II empowerment

zones. In Massachusetts—specifically Boston—this amounts to a little more than \$93 million. Now, I know many of my colleagues are in the same boat because they have empowerment zones in their states—Ohio, South Carolina, Florida, California—but let me just give you the history of why this funding is so important. Funding for Round II empowerment zones started in 1998. So far, however, the money has dribbled in—only \$6.6 million of the \$100 million authorized over ten years—and made it impossible for Boston, and other empowerment zones, to implement its plan for economic self-sufficiency. In Boston, 80 public and private entities, from universities to technology companies to banks to local government, showed incredible community spirit and committed to matching the EZ money, eight to one. Let me say it another way—these groups agreed to match the \$100 million in Federal Empowerment Zone money with \$800 million. Yet, and regrettably so, in spite of this incredible alliance, the city of Boston has not been able to tap into that leveraged money and implement the strategic plan because Congress hasn't held its part of the bargain. I am extremely pleased that we were able to find a way to provide full, steady funding to these zones. That money means education, daycare, transportation and basic health care in areas—in Massachusetts that includes 57,000 residents who live in Roxbury, Dorchester and Mattapan—where almost 50 percent of the children are living in poverty and nearly half the residents over 25 don't even have a high school diploma.

Mr. President, this bill goes further than funding empowerment zones and establishing incentives to attract venture capital into distressed communities. It enhances education opportunities, creates individual development accounts to help low-income families save and invest in their future, increases affordable housing, improves access to technology in our classrooms and creates incentives to help communities remediate brownfields.

I thank my colleagues for their work on this legislation.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. LIEBERMAN. Mr. President, I rise to speak in support of the amendment which I have cosponsored with the Senator from Pennsylvania, using the 5 minutes that have been generously allocated to me by the Democratic leader.

I am proud today to join with a distinguished and diverse coalition of Senators—Senators SANTORUM, ABRAHAM, HUTCHINSON, and DEWINE; and my fellow Democrats, Senators KOHL, KERRY, TORRICELLI, and LANDRIEU—in offering this amendment which we believe is a groundbreaking package to help low-income Americans into the economic mainstream. This is a truly bipartisan approach to bring economic revitalization to American communities and families.

The truth is that we could not have broken this ground if we did not first find common ground. For that we are grateful for the leadership of President Clinton and Speaker HASTERT, who reached across the partisan divide to make this project a top priority.

I think the amendment that we offer today is a model of cooperation and innovation. It combines much of the President's new markets initiative with the Republican-initiated American Community Renewal Act, and blends them into a progressive new synthesis for stimulating investment, entrepreneurship, and economic opportunity in poorer parts of our country.

This bill encompasses the range of the Clinton-Hastert plan with a few key additions which we think will make an outstanding package even better.

One important addition is aimed at fixing America's asset liability or, to be more precise, closing the growing gap in asset ownership in this country which separates millions of low-income Americans from their fair shot at the American dream.

We believe that one of the best ways to help close this gap is to promote the use of individual development accounts, known as IDAs. Banks and credit unions that offer these special savings accounts match the deposits dollar-for-dollar, and in return account holders commit to use the proceeds to buy a home, upgrade their education, or start a business, in other words, to build assets.

The only problem with IDA programs that I see is that there are not enough of them. This addition to the Clinton-Hastert proposal will now provide the support to make that happen.

Another important addition to this package, that, again, reflects bipartisan cooperation in support of economically distressed communities, is the full funding of the existing 20 second round empowerment zones.

We believe this amendment reaffirms and reinforces some old American ideals, including strengthening communities, rewarding work, and encouraging responsibility.

I would say, in developing this package, and in offering it as an amendment today, it is our primary objective to continue working in a bipartisan manner. To that end, Senator SANTORUM, and I, along with the other cosponsors, recognize the need to continue a dialog on the charitable choice expansion provisions in this package.

Specifically, we are prepared to work to narrow the scope of the expansion to a limited number of appropriate programs, building on the charitable choice precedent that Congress established in TANF, the welfare-to-work programs, in welfare reform.

I also understand that some of my colleagues, and others, have expressed concern about the provision that would allow groups receiving Federal money to require their employees to adhere to the “religious tenets and teachings of

the organizations' provisions. I understand their concerns and look forward to working with them as this bill, hopefully, receives independent consideration.

There is too much good in this proposal that has broad bipartisan support that will be fundamentally helpful to poor people in communities in America to have the proposal fail for one or two relatively small parts of it.

So I say to my colleagues that we are committed to working with Members from both sides of the aisle, with the administration, and with those community-based and faith-based organizations in the field, working in these communities, to come up with an agreement that can be passed and signed into law by the President this year.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ROBB. Mr. President, I thank my friend and colleague from Connecticut for his words. I regret to say that I rise in opposition to the new markets initiative as it is currently structured. I agree with the Senator from Connecticut. With additional work, we can find common ground. It is critically important that we pass a new markets initiative. My staff has been working for some time with several other offices on a bill that reflects the compromise the President and the Speaker entered into. This bill is going to be dropped next week, and I welcome input from all offices on both sides of the aisle.

This is complicated tax policy, and it ought to go through the Finance Committee. We ought to have a hearing. In the House, the Committee on Ways and Means is working a bill to mark up, and we ought to be doing the same thing.

I regret that the characterization of this bill is one that I cannot agree with at this particular moment. It seems to me it adds too much to the renewal communities at the expense of the already established empowerment zones.

Most importantly, the legislation as it is currently drafted would allow every recipient of Federal grant funds to discriminate against those they hire based on the applicant's religion. This Chamber has fought for the last 40 years to eliminate discrimination. I simply cannot support legislation that turns back the clock.

With that, I yield such time as I have remaining to the distinguished Senator from New Jersey.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I rise to join Senator ROBB in opposing the Santorum-Lieberman amendment. I support the new markets initiative promoted by the President and Speaker HASTERT, but I think it is important for my colleagues to understand that this amendment is not the President's initiative. No one is arguing against reform, not at all. But to introduce a fac-

tor that permits religious discrimination—it does do that—to enter into these evaluations as to who can participate, will we see a sign that says "no people of this faith allowed" or "only people of that faith allowed." I hardly think that is an improvement, regardless of the fact that there may be some modest, or perhaps more than that, improvements made in the way the new markets initiative operates.

The fact is, we should not be introducing an opportunity to discriminate against one group or another, not to set religious boundaries on how an organization performs these services, how they encourage people to strike out for themselves and to be able to make a living on their own.

I hope our colleagues will examine this amendment seriously. Hidden in the good that it is doing is some, I would call, possible serious evil. We ought not to be, in this Chamber, saluting the ability of organizations to discriminate against one person or another based on their religious preferences.

With that, I hope we will not support this amendment.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. ROBB. Mr. President, all time having been yielded back on this particular amendment, I raise a point of order that the pending amendment would decrease Social Security surpluses.

The PRESIDING OFFICER. The Chair informs the Senator from Virginia that the Senator from Pennsylvania has time remaining.

Mr. ROBB. I apologize. I thought the Senator from Pennsylvania had completed his presentation. I will withhold until he has completed his presentation.

Mr. SANTORUM. Mr. President, I yield 45 seconds to the Senator from Michigan.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. I thank the Chair.

Mr. President, I rise in support of this amendment. I am a cosponsor of the legislation that it embodies. I believe this is the kind of direction we should pursue to try to revitalize parts of this country which require assistance to be completed on parts of our overall economic progress and growth as a Nation.

I am particularly pleased that included in this is our new millenniums classroom component which will make it far easier for schools in this country to gain access to the computer technology they need to make sure that the digital divide, as we call it, is closed, so that opportunities for people to gain the training and skills they need with respect to our new high-tech world will be available to them.

I compliment the Senator from Pennsylvania and the Senator from Connecticut for their work on this and look forward to working with them to secure its ultimate passage and enactment.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I have two final comments. I want to mention some of the people who today let us know that they are supporting this amendment: The National Association of Home Builders, the Chamber of Commerce, the Credit Union National Association, American Bar Association, the Corporation for Enterprise Development, to name a few.

With regard to the charitable choice language, I certainly understand the concerns. The Vice President, the nominee of the Democratic Party, does not share the concerns voiced by many Members on the other side. I understand the White House has some concerns about the breadth of programs covered.

I said to Secretary Sperling, I am very willing to negotiate those and put a list together and limit those covered, but the charitable choice provisions are very broadly supported, I must say.

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

The Senator from Virginia.

Mr. ROBB. Mr. President, all time now having expired, I raise a point of order that the pending amendment would decrease Social Security surpluses and therefore violates section 311(a)(2)(B) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I move to waive the Budget Act.

The PRESIDING OFFICER. The question will be placed in the stacked votes for tomorrow.

Mr. SANTORUM. Mr. President, I ask for the yeas and nays on that.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

AMENDMENT NO. 3837

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, to increase, expand, and simplify the child and dependent care tax credit, to expand the adoption credit for special needs children, to provide incentives for employer-provided child care, and for other purposes)

Mr. DODD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD], for himself, Mr. WELLSTONE, Ms. LANDRIEU, Mr. KOHL, and Mr. KENNEDY, proposes an amendment numbered 3837.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. DODD. Mr. President, this is the child care tax credit and related issues amendment. I offer this amendment on behalf of myself, my colleague from Minnesota, Senator WELLSTONE, my colleague from Louisiana, Senator LANDRIEU, Senator KOHL of Wisconsin, Senator KENNEDY, and others who may be interested in supporting this.

This is an amendment we have discussed and debated in the past. It would expand the current dependent care tax credit to allow parents to claim credit for a greater percentage of their child care expenses. The amendment would also make this credit refundable so that low-income families who have child care bills but little or no tax liability can benefit. The amendment also extends the refundable tax credit to stay-at-home parents.

This amendment reaches across the entire spectrum of family situations, recognizing the tremendous burdens that parents today are facing.

I ask unanimous consent that an article that appeared on July 6 in the Washington Post, entitled "A Cost Squeeze in Child Care; Families Wonder Where the Aid Is," be printed in the RECORD.

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

A COST SQUEEZE IN CHILD CARE: FAMILIES
WONDER WHERE THE AID IS
(By Dale Russakoff)

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

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

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

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

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

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

Would-be beneficiaries here had a feeling they'd heard that before. "I was so hopeful when the Clintons came in," said Popino, 34. "I saw Hillary as a working mom's best friend. I remember she said, 'It takes a village.' Okay, it's been eight years. When are they going to get to my village?"

The politics of welfare reform has focused national attention and money on the vast

child care needs of women in poverty, which remain unmet. And the economic boom is helping affluent families pay full-time nannies or the \$800- to \$1,000-a-month fees at new, high-quality centers.

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

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

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

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

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

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

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

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

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

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

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

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

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

"I can make \$25 an hour on a per-diem basis," she said. "If I work 40 hours a week, that's \$4,000 a month, \$3,200 after taxes. If I take out \$1,400 for my mortgage and \$1,400 for full-time day care, that leaves \$400—\$100

a week to buy food and gas, pay bills, go to the shore on the weekend. This is crazy!"

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

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

Child care was easier when she was married, and not just because of her husband's paycheck, Harris said. Early in their marriage, they were stationed in Germany with the Air Force and had access to German-subsidized child care. They paid \$40 a month per child for full-time care in a stately, 19th-century building within walking distance of their home.

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

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

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

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

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

In 1998, President Clinton moved to expand the child care tax credit but was blocked by Republicans who said it slighted mothers who stayed home with their children.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. DODD. I won't read the entire article, but it cites case after case after case of middle and lower-income families being squeezed every single day to trying to handle the cost of child care, particularly for infants.

One mother says: I could make \$25 dollars an hour on a per diem basis. If I worked 40 hours a week, that is \$4,000 a month, \$3,200 after taxes.

If I take out \$1,400 for my mortgage and \$1,400 for full-time day care, that leaves \$400—\$100 a week to buy food, gas, and pay bills for my family. Most families simply can not get by on that.

I will put up a quick chart for colleagues to peruse. It lays out the costs of child care in various cities in the country. For example, infant care in Boston is over \$11,000 a year. If you are a parent earning \$30,000 a year and have a 1-year-old and a 3-year-old, you are spending from a third to a half of your income on child care. That is before you try to pay the rent and put food on the table.

The current child care tax credit helps, but not as much as it could for the reality of the child care market. The maximum a family can claim is \$720 a year for one child. Double that for two. That is not an insignificant amount, but it is not enough to make up the \$8,000 child care bill that a middle-income family can be paying.

By making this credit refundable, families with incomes around \$20,000 or less can benefit. If you are in that income level, you have little or no tax liability—making the tax credit refundable is the only way you can help these families.

I emphasize again that under this amendment, stay-at-home parents with children under the age of 1 could claim a credit of up to \$500. This new credit would also be refundable. So here we are dealing with stay-at-home parents, working parents, and, as my colleague from Louisiana will shortly point out, dealing also with adoption issues. Also, Senator KOHL has included in this amendment a provision to deal with employers and incentives for them to offer better child care for employees.

Here we are in the midst of this bill which will provide help to 44,000 Americans. That is the universe that is going to be benefited by this. In contrast, this amendment would help 8 million families. Choose up sides: 44,000 people who will pay an estate tax, or 8 million working people who have incomes in that \$20,000 \$30,000, \$40,000, \$50,000 range—the expansion of the credit goes to families under \$60,000. These are middle-income families in America, with young kids, trying to pay child care.

I will end on this note. I was at a hospital in Baltimore today. I took a family member there. A woman was talking to a fellow employee, and I overheard the conversation. She thought she got the best break in the world. She figured out that for one of her two children—she couldn't afford to send both—child care would be \$100 a week. That is \$400 a month for that one child. But she can't send both, not as a working mother who earns around \$20,000.

We ought to be able to do better. If we are going to provide tax relief for 44,000 of the wealthiest Americans, why don't we try to do something good here for the working families, as Senator SNOWE and other Members have proposed in the past? The Expanding and making the dependent care tax credit refundable would really make a difference for the 8 million working families who have true child care needs. I have raised this issue on countless oc-

casions. This is an opportunity to do something about it.

I yield to my colleagues.

Mr. WELLSTONE. Mr. President, how much time do we have left?

The PRESIDING OFFICER. The Senator from Minnesota is recognized, and there are 4 minutes 15 seconds remaining.

Mr. WELLSTONE. Mr. President, one thing about this god-awful process is there is not enough time to talk about this legislation. I will take less than 2 minutes, and my colleague from Louisiana will have 2 minutes.

Senator DODD outlined this amendment. Both of us have worked in this area. I think making this tax credit refundable is hugely important. I think the fact that some of the money applies to parents who are at home is hugely important. I think going up from \$10,000 to \$30,000 and then up from \$30,000 to \$60,000 cuts across a broad section of the population.

I have no doubt that 99.9 percent of the people in Minnesota, if given the choice between the tax break our Republican colleagues are talking about, the estate tax break that goes to the wealthiest 2 or 3 percent of the population, versus a focus on helping families with child care expenses, working families and low-income families—I want to use that label as well—would say let's put the money into child care. That is what this amendment calls for.

This is just a matter of priorities. It is just crazy to be talking about this giveaway to the wealthiest 2 or 3 percent and not making the investment in affordable child care for families in our States.

I yield the floor.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Ms. LANDRIEU. Mr. President, I am proud to join my colleague tonight to discuss an important amendment. Let me just talk about the underlying amendment for just a moment.

There were 523 families in Louisiana who paid the estate tax last year. I am one of the nine Democrats who are willing to talk about some significant relief because some parts of the tax are clearly unfair, and the Democratic alternative we have offered, I am convinced, would help bring relief to many of those families who have small businesses and family farms.

To go where the Republican leadership in the House wants to take us would lead us to a place where we can't provide any help to many other families—as my colleague pointed out, the 8 million middle-income families who need help with child care—and we could not provide for the businesses across this Nation. Small business is struggling. Tax relief for health insurance is something which our colleague from Illinois has championed on many occasions. We could not expand the earned-income tax credit.

So let's try to be fair in this debate and give some estate tax relief and give us some opportunities to do other things.

In my last minute, that brings me to my point on the adoption tax credit. Americans, in record numbers, are opening their hearts and homes to more children. Last year, 100,000 American families opened their hearts and homes to children throughout the United States and from abroad.

Several years ago, Congress gave an important tax credit of \$5,000. This amendment will extend that tax credit but will almost double it for families who adopt children with special needs. There are over 500,000 children in foster care in America. We need to promote adoption and permanency. This will be a great incentive for families to do that. So I am happy to join my colleagues on this. It costs so little, but it would mean so much and would go such a long way in helping to strengthen families, relieve tax burdens on the general public, and give these children an opportunity to be raised in a loving home.

I will soon yield back the remainder of my time. It will be just a small amount. If we do this estate tax relief right, we could do the adoption tax credit, the child care credit, and the health insurance for businesses. I hope we will, in the end, accomplish that goal.

I yield back the remainder of my time.

Mr. DODD. Mr. President, I thank my colleague from Iowa, who graciously allowed us to step ahead of him in line this evening.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, first of all, I note the incredible paradox that this wonderful amendment offered by our dear colleague from Connecticut was in the Republican tax bill that Bill Clinton vetoed last year. I wish our colleagues had supported that bill, and I wish they had helped us override the President's veto.

I have two simple responses here. One, it is true that if you count up the number of people affected by his amendment, Senator DODD has more numbers. But the point is, he is asking us to forgo repealing the death tax so that families will continue to work a lifetime to build up a business or a family farm, pay taxes on every dollar they earn; yet, when they die, their children have to sell off the farm or the business in order to give this tax to the Government. We would repeal the tax. He would take funds from it for another purpose.

So when we talk about somebody's home, somebody's farm, somebody's business, and the fact that there are a larger number of people who would like to have their home or business, I am not surprised by that, nor am I overwhelmed by it. Almost any robber anywhere would say, "I had six children and he had two; I had a gun and he had a wallet."

That is my first point.

My second point is that the \$5 billion they spend here is \$5 billion that was

allocated to the Finance Committee to allow us to repeal the marriage penalty for people who get the earned-income tax credit.

There was no point of order against this amendment because it has taken the \$5 billion that we were going to use in repealing the marriage penalty to see that people who get the earned-income tax credit don't lose that earned-income tax credit when they get married.

Let me give you an example. A janitor with three children meets a waitress with two children. They are both working. They are both low income. They both get the earned-income tax credit. They meet and they fall in love. They have the answers to their prayers—a father for the children and a mother for the children. They get married. What happens? They both lose their earned-income tax credit. They are in the 28-percent tax bracket. So, as a result, they decide not to get married.

It is a crazy policy. We want to repeal it. We are going to repeal it tomorrow.

But our ability to fund the earned-income tax credit so they can keep the earned-income tax credit and not move into the 28-percent bracket is made possible by the \$5 billion that this amendment will take away from the Finance Committee.

The question you have to ask is not does the Senator's amendment do any good. It does good. But the question is, is it worth taking away the earned-income tax credit from working poor people who are trying to better their lives? Is it worth forcing people to sell their farm and sell their business that their parents spent a lifetime building up as a way of funding it?

I think this is a proposal that has merit. We wrote it into the Republican tax package last year that the President vetoed. But I don't think we ought to eliminate EITC relief for working people who get married to fund this proposal, which is what it does.

Second, the amendment also keeps part of the death tax in place. Why is that dangerous? They argue that at least we are reducing it. They are. But do you remember in 1993 when the President was putting together his tax increase, and one of the ideas he floated was lowering the deduction from \$600,000 to \$200,000?

Does anybody doubt that unless we kill the death tax, get rid of it and pull it out by the roots, that the next time we have a Democrat President and a Democrat Congress we are going to end up as we were in 1993 with this deduction back down to \$600,000, \$400,000, or \$200,000?

Mr. DODD. Will my colleague yield?

Mr. GRAMM. I believe this is an amendment that should be defeated.

If I have any time, I would love to yield to my dear friend.

Mr. DODD. My point is, I am for making clear changes in the estate tax proposal. I think all of us are.

Could I ask for 30 additional seconds?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DODD. You have proposed a tax break that costs \$750 billion in the second 10 years. It seems to me that we ought to be able to find some room for child care for which 8 million people will benefit.

People should remember what my colleague and friend from Texas says—help out those 43,000 richest Americans.

Mr. GRAMM. There is one difference. No matter how many of them there are, it is their home. It is their business. It is their farm. They built it up. It belongs to them. You are taking it away from them to give it to somebody else that it doesn't belong to. I don't care how many there are.

Mr. DODD. We can help them and we can also carve \$5 billion out of a \$750,000 billion tax break to help 8 million Americans?

The PRESIDING OFFICER. All time has expired.

The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, I yield myself 5 minutes under leader time.

For the information of my colleague from Connecticut, I think that a point of order lies against the bill. That will be made again by the chairman of the Budget Committee tomorrow after it has been checked. We haven't had enough time to review the amendment. For example, we are talking about changing child care tax credits.

I ask my colleagues from Connecticut: Is this a refundable tax credit as proposed?

Mr. DODD. It is refundable, and covers those who stay at home as well.

Mr. NICKLES. Mr. President, if it is a refundable credit, we have now turned a tax cut into a spending bill, I would assume spending billions of dollars.

Again, we haven't had a chance to review the amendment. We haven't had it scored. We will review it. We will find out if a point of order lies against it. I happen to think that one does. We will find out when the chairman of the Budget Committee makes that decision tomorrow. If it is a refundable tax credit, it is a spending bill.

This is a way for Uncle Sam to be writing checks. This is a way for us to be spending more money. I question the wisdom of doing that, especially without a chance to review it and consider it.

Mr. DODD. If my colleague will yield.

Mr. NICKLES. I will, but not right now. I want to move on and finish this bill tonight.

Again, I compliment my colleague from Delaware and my colleague from New York. I personally haven't agreed with the process under which we are considering this bill. I compliment the managers for their patience. The hour is late. I think we still have two or three other amendments to consider. I

hope we can finish those. We can vote on these tomorrow. We can pass this bill tomorrow, and I hope lay the predicate and foundation for passing the elimination of the marriage penalty as well. If so, we will have done a couple of days of good work.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, the next amendment is the amendment of the Senator from Delaware.

Mr. MOYNIHAN. Mr. President, might I ask unanimous consent that the Senator from Connecticut be given 2 minutes to respond?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DODD. Mr. President, I will not take 2 minutes.

As my colleague notes, this amendment would make the child care tax credit refundable—that's one of its strongest points. My friend from Texas said we adopted a similar provision in the tax proposal offered by the Republicans a year or so ago. That's not true. It was not refundable and would not have benefited lower-income families. There is a significant difference.

Refundability is important because as it stands now the tax break we are talking about is not terribly meaningful for families earning less than \$20-\$25,000. Refundability is the only way to help people in that income level.

I mentioned earlier that I was listening to a woman today who was saying how happy she was that she found child care for one of her two children for \$100 a week. That is \$5,200 a year. She makes, according to her, about \$25,000 or \$30,000 a year. That is a quarter of her gross income going to care for one child. Without refundability, the current tax credit really doesn't mean much to her. It is simply inequitable to deny her a tax credit that families at higher incomes with the same type of child care expenses enjoy.

If we can find the time, as we have for a day and a half, to debate a bill that would assist 43,000 or 44,000 people, can't we carve out a place in a \$750 billion tax break for 8 million working people in this country who are trying to raise their children under very difficult circumstances. That is the purpose of the amendment.

I suspect it does suffer a potential point of order. We will make our motion at the time. But I hope my colleagues will be supportive.

Mr. NICKLES. Mr. President, will the Senator yield for a question?

Mr. DODD. I would be happy to yield.

Mr. NICKLES. If you are making it a refundable credit, you are making this more of a priority than health care. You are saying this is a more important item than food, in some cases, because you are having the Federal Government write a check to pay for it. We don't do that with health care.

I understand your desire to do some things for child health care. We happen to agree with much of that because we

passed it last year in the bill the President vetoed. But now you are trying to make it refundable by having Uncle Sam write a check for it. I personally think you are going too far with that amendment.

Mr. DODD. Mr. President, I ask for an 15 additional seconds.

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

Mr. DODD. My point is this: Raising children in this country in affordable, decent circumstances is about as basic as it gets. Eight million Americans can benefit from this amendment. This is a good investment for our country. With a \$750 billion tax break for 43,000 people, I think we ought to be able to do something for 8 million working families with young children.

Thank you, Mr. President.

Mr. GRAMM. Mr. President, did not our Democrat colleague from New York ask that both sides get 2 minutes?

Mr. MOYNIHAN. Mr. President, I surely wish to do so.

The PRESIDING OFFICER. Is there objection?

Mr. GRAMM. Give me 30 seconds.

The PRESIDING OFFICER. Without objection, 30 seconds.

Mr. GRAMM. Mr. President, what we are talking about here is basically a setting of priorities. Do we want to take money away from eliminating the marriage penalty in the earned-income tax credit for working families to give a tax credit for a noble purpose? In fact, a purpose that we had written into our tax bill last year that the President vetoed. That is what we are debating: priorities.

We set aside the \$5 billion in the budget to fund earned-income tax credit for the elimination of the marriage penalty. If we spend it here, we cannot do it tomorrow.

AMENDMENT NO. 3841

(Purpose: To provide for pension reform, and for other purposes)

The PRESIDING OFFICER. Under the previous order, the Senator from Delaware is recognized.

Mr. ROTH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes an amendment numbered 3841.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. ROTH. Mr. President, I rise to offer an amendment which addresses a very important topic for many Americans—retirement savings.

Many Americans, especially Boomers, increasingly worry: Will I have enough to live on when I retire? According to recent studies, one third

of Americans are not confident that they will have enough to live on in their retirement years, and for others that optimism about retirement income may not be well founded.

Savings—whether through employer retirement plans or as personal savings—are necessary for a comfortable retirement.

Overall savings by Americans are at an all time low. The U.S. Department of Commerce stated that Americans' personal savings rate for the first half of 1999 fell below zero.

I believe, and many economists agree, that increasing tax incentives for savings will result in more savings.

The amendment I offer provides many tax incentives which will result in greater savings. Let me outline just a few of them.

The maximum contribution limit for IRAs both traditional IRAs and Roth IRAs is \$2,000. This limit, which has been in place since 1982, has never been indexed for inflation. According to the Joint Committee on Taxation, if the IRA limit were indexed for inflation it would be over \$5,000.

This amendment increases the contribution limit for all IRAs (both traditional IRAs and Roth IRAs) to \$5,000 per year and under that amount for inflation.

It is important to remember that people at all income levels make IRA contributions.

An estimated 26 percent of American households now own a traditional IRA. In 1993 (the most recent year for which comprehensive aggregate data is available) 52 percent of all IRA owners earned less than \$50,000.

We know that people at all income levels are limited by the \$2,000 cap on contributions. For example, IRS statistics show that the average contribution level in 1993 for people with less than \$20,000 in income was \$1,500.

Lower income people clearly want to make contributions of more than the \$2,000 limit.

This amendment also increases other benefit limitations. Currently, the maximum pre-tax contribution to a 401(k) plan or a 403(b) annuity is \$10,000.

In addition, the maximum contribution to a 457(b) plan, a plan for employees of government and tax exempt organizations is \$8,000.

Finally, the maximum contribution to a simple plan, a simplified defined contribution plan available only to small employers, is \$6,000.

This amendment increases limits for 401(k), 403(b) and 457 plans to \$15,000 and for simple plans to \$10,000.

This does not mean that business executives can automatically take advantage of these higher contribution limits; lower income employees must benefit in order for the executive to benefit.

Consequently, business owners and high paid employees cannot benefit with this new higher contribution limits unless the amount of savings that low paid people make—either on their

own or with the help of the employer—increases.

This amendment adds a new type of employer savings plan.

We heard testimony before the Finance Committee that the first year of the Roth IRA was a success. And we have all seen the television and print ads touting the benefits of the Roth IRA. The opportunity for tax-free investment returns has clearly caught the fancy of the American people.

In less than five months after the Roth IRA became available, approximately 3 percent of American households owned a Roth IRA.

In addition, the survey found that the typical Roth IRA owner was 37 years old, significantly younger than the traditional IRA owner who is about 50 years old, and that 30 percent of Roth IRA owners indicated that the Roth IRA was the first IRA they had ever owned.

This amendment intends to harness the power of the Roth IRA and give it to participants in 401(k) plans and 403(b) plans.

We will give companies the opportunity to give participants in 401(k) plans and 403(b) plans the ability to contribute to these plans on an after-tax basis, with the earnings on such contributions being tax-free when distributed, like the Roth IRA.

This amendment will also provide an additional savings opportunity to those individuals who are close to retirement.

We all know that there can be other pressing financial needs earlier in life—school loans, home loans, taking time off to raise the kids—which limit the amount that we may have available to save for retirement.

The closer that we get to retirement, the more we want to put away for those years when we are not working.

However, the current law limitations on how much may be contributed to tax qualified savings vehicles may restrict people's ability to save at this time in their lives.

This amendment will give those who are near retirement—age 50—the opportunity to contribute an additional amount in excess of the annual limits equal to an additional 50% of the annual limit.

Catch-up contributions will be allowed in 401(k) plans, 403(b) plans, 457(b) plans and IRAs.

For IRAs, this will mean that someone age 50 could contribute \$7,500 each year rather than \$5,000.

Never before have Americans had better opportunities to provide for a comfortable retirement—with a strong economy together with increasing opportunities for saving and investment.

The result of this amendment will be more personal savings to assist people in providing for a comfortable retirement.

I urge my colleagues to support this amendment.

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

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

Mr. HARKIN. I yield back all time on this side on the Roth amendment.

The PRESIDING OFFICER. All time is yielded back.

Under the previous order, the Senator from Iowa is to be recognized.

Mr. HARKIN. How much time am I recognized for?

The PRESIDING OFFICER. The Senator has 10 minutes.

AMENDMENT NO. 3840

(Purpose: To protect and provide resources for the Social Security System, to amend title II of the Social Security Act to eliminate the "motherhood penalty," increase the widow's and widower's benefit and to amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes)

Mr. HARKIN. I call up amendment 3840 and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa [Mr. HARKIN], for himself, and Mr. FEINGOLD, Ms. MIKULSKI, and Mr. LEAHY, proposes an amendment numbered 3840.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. HARKIN. Mr. President, women in America have made significant strides for equality and fair treatment. They have more opportunities and face less discrimination. However, there are still gross inequities, and this is particularly true in Social Security.

The average Social Security benefit received by a man is modest, about \$10,508 on average in 1998. But for the 21 million American women who depend on Social Security, their average benefit is over 25 percent less, just \$7,836 a year. That is 25 percent less to pay for prescription drugs; 25 percent less to pay for food; and 25 percent less to pay for the rent and utilities.

Largely as a result of these lower Social Security benefits, elderly women are twice as likely to be poor than older men. Fully, 19 percent of single older women—those who have been widowed, divorced, or never married—live in poverty.

There are a number of reasons for this. Women live longer than men. Women earn less during their working years due to wage discrimination and other factors. And women reach retirement with smaller pensions and other assets than men.

Parts of the problem lie with the Social Security itself. Our amendment

that I have offered on behalf of myself, Senator FEINGOLD, Senator MIKULSKI, Senator LEAHY, and Senator MURRAY, tries to fix two of these problems in Social Security.

First, under current law, when a man dies, his widow sees only 50 to 66 percent of the couple's previous combined Social Security benefit. In one day, her basic income is cut by as much as half. However, the official poverty rate for a single person is 79 percent of that for a couple. That means that experts have determined it takes about 79 percent of a couple's income for a single person to maintain a minimum standard of living.

So the current widow's benefit forces many older women into poverty upon the death of their spouse. Our amendment would change that by increasing the Social Security survivors' benefit to at least 75 percent of the combined benefits of the husband and wife. This simple change will provide a greatly needed boost to more than 3 million low- and moderate-income widows and widowers.

The second part of our amendment addresses the Social Security motherhood penalty. The motherhood penalty is just this. In Social Security, it provides lower benefits for women who take time off their jobs to raise their children or to care for a sick parent. Our amendment would eliminate this penalty by allowing people to take time out of the workforce to raise a child or to care for a dependent relative, and to eliminate up to 5 years of zero or very low earnings from those used to calculate their future Social Security benefits.

Social Security benefits are based on your average earnings over 35 years. This generally works for men who spend an average of 39 years in the workforce. When Social Security was established in 1935, most women stayed at home. It was assumed most women would get benefits through their husbands. The 35-year average formula fails to recognize that today an increasing number of women work but also take time off to raise children. Thus, the average woman is in the workforce 27 years today. The other 8 years are counted as earning zero dollars, resulting in lower benefits. Our amendment recognizes the importance of care giving, of women taking time out of the workforce to have children, and allows up to 5 years of zero or lower earnings to be exempted when calculating future retirement benefits.

I will just give a brief example. Suppose you have a woman who worked throughout her life but took time off to raise three children. She worked for a total of 30 years, retired at age 65. In those 30 years she averaged \$20,000 a year in earnings.

But since she had 5 years with no earnings while caring for her children, her lifetime average earnings calculated on a 35-year formula is \$17,142.

This entitles her to an annual Social Security benefit of \$9,369. Under our amendment she would be allowed to erase those 5 zero-earning years, bringing her lifetime average back up to \$20,000. As a result, her annual benefits would be increased by about \$800, a significant and needed boost.

The motherhood penalty will become increasingly important as more women receive benefits based on their own earnings. Today, about 37 percent of women receive Social Security benefits based on their own earnings rather than getting the spousal benefit. But this is expected to rise to 60 percent over the next two generations, by 2060.

Finally, the third part of our amendment makes a major contribution to shoring up Social Security for the future. What we do is dedicate the interest savings from paying off the national debt to Social Security. By doing this, we are using good economic times to prepare for the future. These interest savings are substantial, totaling about \$120 billion this decade, and growing to \$250 billion a year by 2015. This simple step of locking away these savings for Social Security would assure Social Security's fiscal health for the next 50 years. What we are saying is when we buy down the national debt, the savings in the interest payments on that, which would normally go to general revenues, will go to Social Security and not to general revenues.

Again, our amendment offers a clear choice. If you want to make Social Security sound and secure for the next 50 years, you should vote for this amendment. If you want to do away with the motherhood penalty and make sure that women have their proper years counted so we do not discriminate against them for raising children, then I think you should vote for this amendment. If you think millions of moderate-income women deserve a financial boost, making sure they get at least 75 percent of their spouse's benefits rather than the 50 to 66 percent they get now, and get a lot of women over that poverty line, I think you should vote for this amendment.

There are three parts to this amendment: Do away with the motherhood penalty; second, make sure the spousal benefits are at least 75 percent of their spouse's upon death; third, use the savings from the interest payments to put into Social Security rather than general revenues.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 2 minutes 55 seconds remaining.

Mr. HARKIN. I yield the remainder of the time to the cosponsor of the amendment, the Senator from Wisconsin.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized.

Mr. FEINGOLD. Mr. President, as we on this side of the aisle have made clear, this debate is about priorities. The majority has made clear that its

highest priority is to expand tax breaks for the wealthiest 2 percent of the population.

Yes some sensible reforms are in order to the estate tax, and the Democratic alternative, which our amendment incorporates, would make those.

But shouldn't our first and highest priority for using our surplus be extending the life of Social Security? Our amendment would do that, as well.

Thirdly, our amendment would make much-needed improvements in Social Security benefits for widows and those who take time out of the workforce to raise their children.

As President Kennedy said in his 1962 state of the Union address, "[T]he time to repair the roof is when the sun is shining." This year, the Social Security Trust Fund is taking in nearly \$100 billion more in payroll tax revenues than it pays out in Social Security benefits, building up assets. It will continue to do so for pretty much the entire decade.

But then, in the next decade, as the baby boom generation begins to retire in numbers, that cash surplus will shrink. Starting in 2015, the cost of Social Security benefits is projected to exceed payroll tax revenues. Under current projections, this annual cash deficit will grow so that by 2036, Social Security will pay out a trillion dollars more in benefits than it takes in in payroll taxes. By 2037, the Trust Fund will have consumed all of its assets.

We as a Nation have made a promise to workers that Social Security will be there for them when they retire. Our Nation's commitment to Social Security will not go away. We should start planning for that future.

The Social Security Trustees released their last annual actuarial report at the end of March. That report indicated that to maintain solvency of the Social Security Trust Fund for 75 years, we need to take actions equivalent to raising payroll tax receipts by 1.89 percent of payroll or making equivalent cuts in benefits. In 2037, annual Social Security tax revenues will be sufficient to cover 72 percent of annual expenditures.

The Trustees' report sounds a warning: We can fix the Social Security program so that it will remain solvent for 75 years if we make changes now in either taxes or benefits equivalent to less than 2 percent of our payroll taxes. But if we wait until 2037, we would need the equivalent of a 28 percent cut in benefits to set the program right. Put another way, if we wait until the trust funds run out of assets in 2037, we will need to make changes equal to an increase in the payroll tax rate of 5.4 percentage points, to set the program right.

The choice is clear: Small changes now or big changes later. That's why Social Security reform is important, and why it is important now.

And that's why President Clinton was right when in his 1998 State of the Union Address, he said, "What should

we do with this projected surplus? I have a simple four-word answer; Save Social Security first."

That's why it doesn't make sense to enact either tax cuts or spending measures that would spend the non-Social Security surplus before we've addressed Social Security for the long run. Before we enter into new obligations, we need to make sure that we have the resources to meet the commitments we already have.

The complete repeal of the estate tax before us today would head in the opposite direction. It could cost \$750 billion a decade, when it is fully phased in. These costs would begin to hit most heavily in the decade after 2011, just when the baby boom generation will begin to retire in large numbers, just when the financial pressures on Social Security will begin to mount.

It would be irresponsible to enact a tax cut of this size before doing anything about Social Security. Before the Senate passes major tax cuts like the one pending today, the Senate should do first things first. And that's what this amendment does. I urge my colleagues to support it.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, our colleagues have just introduced the Gore plan to extend Social Security by giving the Social Security Administration a bunch of new IOUs. Of course, the IOUs are from the same Government that is going to have to pay the Social Security benefits in the future.

We currently have \$800 billion of paper IOUs in a steel filing cabinet in West Virginia. They represent the trust fund of Social Security. When Social Security takes in more taxes than it spends, this computer in West Virginia prints out this IOU, and the Government goes on about its business and spends the money on something else. That something else can be any other Government program, or buying down the debt of the Treasury. But the Social Security Administration gets the IOUs.

What we are hearing here is a new gimmick, where you give them the IOU and then maybe you buy down debt, maybe not, but you still give them another IOU. Then that IOU earns interest and you get another IOU.

Let me go back and start at the beginning. Let me quote President Clinton in his year 2000 budget. I know it is late, but I hope my colleagues will listen to this quote.

These Social Security trust fund balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing the benefits—

Which means cutting Social Security benefits—

or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

That is not me talking. That is President Bill Clinton from his fiscal year 2000 budget. What is he saying? This \$800 billion of Government IOUs we have represents a debt of Government. So when the Government has to pay Social Security benefits in the future, they have an IOU and they can collect it. But who has to pay it? The same Government that collects it.

It is why I cannot write an IOU and put it on my balance sheet. The Senator from Oklahoma, when he was running Nickles Machine Corporation, could not inflate his balance sheet by simply adding another IOU. President Clinton clearly explains that.

Our Vice President is saying: OK, I want to make Social Security solvent for 50 more years—I do not know why he did not do 100 or 500—and the way I am going to do it is I am going to print up these IOUs that say the Government owes the Government money, and they are going to put the IOUs in that filing cabinet in West Virginia.

Here is the problem. When they get them out to cash and they say: OK, this IOU is for \$100 billion; we will pay benefits with this. Who is going to pay the \$100 billion? The Government has to pay the \$100 billion. To quote Bill Clinton, they have to raise taxes, borrow from the public, they have to reduce benefits, which is cut Social Security benefits, or they have to cut other expenditures. The point being this is a totally fraudulent proposal. It simply acts as if you can pay benefits that the Government owes with an IOU that the Government owes.

The problem is there is no way the Government, with its own debt, can pay anybody benefits because it has to pay its own debt first. All the Vice President is proposing is that we commit future income taxes to pay benefits in the future. How does that in any way improve the solvency of Social Security? It does not, and this whole proposal should be rejected.

Mr. CRAIG. Mr. President, I rise in opposition to the Harkin amendment.

The Harkin amendment would make changes to Social Security benefits. It would: increase benefits to widows; and increase benefits for stay-at-home parents by attributing earnings to them while they stay home.

Mr. President, everyone wants to help moms and widows, especially during election years, but Social Security is exactly the wrong tool for the job.

The Harkin amendment would fail to provide meaningful assistance to the people they are targeted to aid.

Worse, it would increase Social Security's unfunded liabilities by almost a third, reduce Social Security trust fund balances by hundreds of billions, and accelerate the system cash-flow crisis.

Social Security is one of the few federal programs that already takes stay-at-home parents into account.

Under the current system, married spouses generally receive about the same Social Security benefit regardless of whether they worked full-time, part-time, took a break for child-rearing, or did not work at all.

For example, in 1996 women who receive Social Security benefits based upon their own work record received an average benefit of \$657, while women whose benefits are based upon their husband's work record received \$596, just a 10-percent difference [Social Security Administration].

In other words, there is no motherhood penalty in Social Security.

If Senator HARKIN wants to help mothers, why doesn't he embrace tax relief like the Senate Marriage Tax Relief Act, which would allow parents to keep more of their income before it gets sent to Washington?

Instead, his proposal would take a program already under financial distress and make it go broke faster.

Moreover, under the Harkin amendment, years after you've incurred the expense and raised your children, you get a few more benefits from the Federal Government. Who pays for those benefits? You guessed it, your children. Not much of a deal.

The Harkin amendment is exactly the wrong solution to help stay-home parents.

Senator HARKIN estimates this proposal would cost just a few billion over the next 10 years. That is a gross underestimate.

While the Social Security Administration has not estimated the "motherhood" proposal, economist Henry Aaron offered a "seat-of-the-pants" estimate in *Slate Magazine* [4/5/00] of .25 percent of taxable wages.

That's about \$150 billion over 10 years.

Meanwhile, Senator HARKIN's proposal to increase widow's benefits would cost about .32 percent of taxable wages [Report of the 1994-1996 Advisory Council on Social Security, Volume I: Findings and Recommendations, January 1997].

That translates into \$166 billion over the next 10 years. Now the Senator has put a limit on his benefit, so it won't cost quite that much, but it is still substantial.

The Harkin amendment claims to pay for these new benefits by transferring money from general funds to the Social Security trust fund.

The amount of the suggested transfers is staggering. Including interest, it literally amounts to over 60 trillion dollars over the life of the transfers—over sixty trillion dollars!

What do general fund transfers accomplish to help ease the burden taxpayers face in coming years? Nothing.

What do the experts have to say about general fund transfers? President Clinton's Budget: "These [trust fund] balances are available to finance future benefit payments and other trust fund expenditures but only in a bookkeeping sense. These funds are not set up to be

pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits."

Congressional Budget Office: "The Administration's proposals would create transactions between government accounts, but such intra-governmental transfers do not by themselves increase the resources available to the government."

Dan Crippen—Director of the Congressional Budget Office: "Too many of us—from the President to members of Congress to my high school classmates—believe the current balances in the Social Security trust funds will help ease the burden on the children of the baby boomers. That is, unfortunately, not true."

Henry Aaron—Brookings Institute: "The president proposes to deposit government bonds to defray part of this unfunded liability, thereby putting a call on future general revenues—personal and corporation income taxes—to pay for this unfunded liability," according to testimony before the Ways and Means Committee, 2/2/99.

Mr. President, Senator HARKIN's trust fund transfers are a fraud.

Whether the system is financed through payroll taxes or from general funds, the Social Security system is poised to claim an increasing share of future worker income. By 2075, that share is one-fifth of taxable payroll—20 cents of every dollar a worker earns.

That 20 cents is taken before the other income taxes, sales taxes, and property taxes are collected to pay for national defense, policing the streets, educating children, and other government services.

It also is assessed before the worker can purchase housing, clothing, food, education, and transportation. All for a program that—in many cases—offers the worker less money than he or she contributed.

Meanwhile, expanding Social Security benefits when the program is already going broke is wholly irresponsible.

As Robert Reischauer, former Congressional Budget Office Director, observed about similar proposals. "We still have a program that is going to face difficulties. Compounding those difficulties is not responsible policy."

The Harkin amendment is the worst sort of pandering. It pits one generation against another. Younger workers against older retirees. It should be defeated.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I yield myself 5 minutes of leader time to speak on this amendment.

The PRESIDING OFFICER. The Senator is recognized.

Mr. NICKLES. Mr. President, I mention to my colleagues, I think everyone is aware the minority leader yielded 5 minutes to his colleagues on each of these minutes. I do not like to do it, but it is important to point out some of the facts. I appreciate my colleague from Texas pointing them out.

This amendment and the Vice President's proposal is one of the riskiest, maybe one of the most deceitful I have seen in my years in Congress. It basically says we should have double accounting of interest. It says we are going to take the interest savings from debt reduction and apply that to Social Security, as if we are going to make Social Security more solvent. It would not do that.

I will give some quotes from people who studied the proposal. One is from David Walker, Comptroller General of GAO:

[The Clinton-Gore proposal] does not come close to saving Social Security.

The proposal is referring to is the Clinton-Gore proposal.

Under the President's proposal, the changes to the Social Security program will be more perceived than real: although the trust funds will appear to have more resources as a result of the proposal, nothing about the program has changed.

Dan Crippen, Director of CBO:

Those transfers would have no effect on the ability of the Federal Government to meet the obligations of those programs. The transfer would not, as some have asserted, strengthen Medicare or Social Security. At most, they might have the opposite effect of imparting a false sense of security.

It is double accounting.

I have a statement from CBO's "An Analysis of the President's Budgetary Proposals for Fiscal Year 2001." On page 67, it talks about the interest savings transfers to Social Security. It says:

The Social Security trust funds already receive credits for interest on their accumulated balances under current law.

They already get interest on the surpluses. That is already current law.

It continues:

The proposed transfers would simply add extra interest credits on top of those that would be provided anyway. . . . The transfers themselves would have no economic significance because they would flow out of one government fund and into another.

If we want to say we are making the Social Security fund more solvent by adding more IOUs, we should do what the Senator from Texas did. Why stop at \$100 billion?

I read that the Senator's amendment will add \$250 billion annually after 2015. Why not right now? Let's just add \$5 trillion. We have about \$10 trillion of unfunded liability in Social Security. Let's just say we have a Government IOU, \$10 trillion. It is fully funded. In the year 2012 or 2015, there is going to be a shortage. There is going to be more money going out than coming in, and those IOUs will not be able to pay one check—not one.

At that point in time, the Government is going to have to borrow more money, raise taxes, or cut benefits. In other words, we have not changed the program, and putting in more IOUs will not pay one benefit, will not pay one Social Security check. If my colleagues are interested in the solvency—my colleague is saying let's also increase benefits; let's increase retirement benefits; let's increase survivor benefits; let's increase benefits for people not paying into the system and increase survivor benefits, none of which had hearings before the Finance Committee.

Talk about being irresponsible and playing politics with Social Security. This amendment does it in the worst way. This amendment needs to fail and, frankly, the Vice President should be ashamed of this proposal. I hope our colleagues will vote against it, and I urge our colleagues to vote against it tomorrow morning.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. If all time has expired on that amendment, I would like to be recognized—

The PRESIDING OFFICER. The Senator from Iowa has 1 minute remaining.

Mr. HARKIN. Mr. President, I will use it for a small rebuttal. I noticed my friends on the other side going after the Social Security trust funds. The Senator from Minnesota, Mr. GRAMM, had an amendment to put money into the Social Security trust fund, and they all voted for it. So much for being consistent around here.

Quite frankly, I listen to the arguments on the other side, and I think my friends from the other side want to privatize Social Security. On top of that, they want to say you do not get Social Security until you are 70. They want to raise the retirement age.

Don't let all that fog over there cloud what we are trying to do. We are trying to change the motherhood penalty so women are not penalized raising children and getting Social Security.

Secondly, our amendment says widows ought to get at least 75 percent of their spousal benefit, rather than the 50 to 60 percent now.

Lastly, when we pay down the national debt, you are right, take the savings from that and stick it into Social Security so that money will be there for future generations.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 1 minute 25 seconds remaining.

Mr. NICKLES. Mr. President, maybe my colleague from Iowa did not understand what we voted on earlier. Earlier we voted on repeal of the tax on Social Security which was passed by the Clinton-Gore administration, passed by Vice President GORE because he broke the tie, passed by every Democrat, but

not one Republican voted for it. We had 58 votes, I believe, in the Senate to repeal it today. Those are the facts.

There was a tax increase on Social Security that passed in 1993, and it was passed by every Democrat. Today we had an overwhelming majority who voted to repeal it. Those are the facts.

Now we have an amendment before us that says let's double count interest savings even though we count the interest on Social Security surpluses. Let's double count and let's pretend that is going to make Social Security more solvent and, in the process, let's add a whole bunch of new benefits and see if we can't buy more votes and tell people we are going to give them something even though they know it is not going to happen. It has not been considered in the Finance Committee and Ways and Means Committee. Even though they know it is irresponsible and Social Security has big problems coming up in 13, 14 years, they say: Let's put more IOUs in and pretend it will make it more solvent. The budget experts say it will not work. The President in his own budget statement said it will not work.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. Mr. President, I do not have any time left.

The PRESIDING OFFICER. The Senator has no time left on this amendment.

Mr. HARKIN. I ask unanimous consent for 30 seconds to respond.

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

The Senator from Iowa is recognized.

Mr. HARKIN. Mr. President, let me read the exact language of the Grams amendment.

Revenue offset.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act . . . an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

I rest my case. They all voted for it transferring money from General Treasury to Social Security. That is the Grams amendment. They all voted for it.

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

The Senator from Texas.

Mr. GRAMM. Mr. President, I ask unanimous consent that it be in order for me to offer the Lott amendment on the list at this time and that I be allowed to yield back all the time and that the vote occur in the sequence to follow the Bayh amendment as previously ordered.

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

AMENDMENT NO. 3842

(Purpose: To provide tax relief)

Mr. GRAMM. Mr. President, I send the amendment to the desk and yield back all time that is allotted.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Texas [Mr. GRAMM], for Mr. LOTT, proposes an amendment numbered 3842.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. I want to ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Under the previous order, the Senator from Indiana is recognized.

AMENDMENT NO. 3843

(Purpose: To amend the Internal Revenue Code of 1986 to increase the unified credit exemption and the qualified family-owned business interest deduction and provide a long-term care credit, and for other purposes)

Mr. BAYH. Mr. President, I send an amendment to the desk on behalf of myself, and Senators DURBIN, FEINGOLD, MIKULSKI, KOHL, BIDEN and GRAHAM, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Indiana [Mr. BAYH] for himself, Mr. DURBIN, Ms. MIKULSKI, Mr. FEINGOLD, Mr. KOHL, Mr. BIDEN, and Mr. GRAHAM, proposes an amendment numbered 3843.

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

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

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. BAYH. Mr. President, I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, I rise to support our amendment because it not only provides for substantial estate tax relief, but it also provides for substantial tax cuts for millions of American families, in providing for long-term care for sick and elderly dependents, and also provides for important tax relief for millions of American families who work hard, play by the rules, are self-employed, but struggle to meet the costs of health insurance.

I express my appreciation to my colleagues, Senator DURBIN, Senator FEINGOLD, and others, for their leadership in bringing us to this point, and for their support of these critical and important steps.

I want to make clear that I strongly support the cause of providing for estate tax relief. That is why I am delighted to say that our approach provides, when fully implemented, that 99.3 percent of the American people—99.3 percent—will be entirely exempt from any estate taxes in our country.

This means that fully 95 percent of farms that would currently be subject to the estate tax have their estate tax liability eliminated entirely, and 75 percent of small businesses currently subject to the estate tax will have their estate tax liability eliminated entirely.

In a perfect world, I would also support the elimination of the other one-tenth of 1 percent of families in our country who will still be subject to the estate tax. But we have other priorities which must also be met.

One of the foremost among these is the fact that currently 2.6 million families across our country struggle to provide care for a sick, elderly parent in their home. This figure is expected to skyrocket in the coming years because, among other facts, those in our country over the age of 65 will more than double during that period of time.

We find too many families today caught in what we refer to as the "sandwich generation," struggling not only to provide for their children, pay the mortgage, put food on the table, but also to care for a sick, elderly parent or grandparent. It is not right in our country that families must be forced to choose between caring for a child or caring for a parent. They deserve tax relief, too.

That is exactly what our bill would do, providing up to a \$3,000 tax credit every year, once fully phased in, to help alleviate those burdens, allowing families to meet all of their priorities, and particularly to provide for long-term care for a sick, elderly parent or other dependent.

Likewise, it is not right that so many of our families currently work and struggle to provide for the cost of health insurance. Just last year, one million fewer Americans had health insurance, and many of these are self-employed. Under our approach, we would accelerate the full deductibility for the cost of health insurance for those who are self-employed to next year, providing an additional 2 years of tax relief for hard-working Americans.

In conclusion, let me say this. It has been eloquently stated by our colleagues on the other side of the aisle that death should not be a taxable event, and they are right. But it is equally true no family in our country should face the painful dilemma of providing care for their children or care for their parents. That is not right. They deserve our help. They deserve tax cuts, too.

It is not right that hard-working Americans, who play by the rules, pay their taxes, and get up and go to work every day, struggle to make ends meet, and provide for health care. They de-

serve tax cuts. They deserve our help, too.

That is exactly what our bill would provide. It meets our priorities, it is financially responsible, and it is true to our enduring values. That is why I encourage my colleagues to adopt this important amendment.

I now yield 3 minutes to the Senator from Illinois, my friend and colleague, Mr. DURBIN.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, I thank the Senator from Indiana for his leadership. I fully support his amendment.

For those who are trying to understand what is happening on the floor of the Senate, allow me to give a summary of the game to this point.

The Republican leadership has come forward with a basic proposal to eliminate the estate tax. They have suggested that we should take \$850 billion over the next 20 years and dedicate it to eliminating the tax liability for 44,000 of the wealthiest Americans in our Nation. They believe that is our highest priority. When they look at our Tax Code, the Republicans have concluded the greatest inequity in America's taxes is the tax paid by less than 2 percent of our population.

They have decided that the most deserving group for tax relief in America today are 44,000 of the wealthiest people in our Nation. That is their decision. That is their priority. They have made it clear with every single vote.

We have come forward and said we can reform the estate tax so that virtually two-thirds of those currently paying will not have any liability and still have money left to do important things.

We said to the Republican side of the aisle: Will you join us in allowing families to deduct college education expenses for their kids as part of it?

No, they said, we are not interested.

Will you join us in a prescription drug benefit for seniors as part of the relief that we are going to offer in this?

No, they are not interested.

Will you join us in child care relief so that families can afford to have safe and quality child care?

No, they are not interested. Their only interest is in protecting the 44,000 wealthiest people in this country.

What Senator BAYH is offering in this amendment is a long-term care tax assistance package which every family with an aging parent can understand, which every family that faces that responsibility will clearly understand. This is family oriented. It will affect literally millions.

My portion of this amendment will affect 13 percent of the workforce. It will allow the self-employed businesses across America—those are farmers and small businesses, by and large—to deduct immediately next year their health insurance premiums paid for their employees instead of waiting an additional 2 years.

Right now, the big corporations deduct all the expenses for the health insurance of their employees. Self-employed people cannot. When you ask small businesses across America: What is your highest priority? it is not the elimination of the estate tax. The highest priority is the cost of health insurance. And the second highest, I noticed this morning, happens to be education and finding skilled and trained workers.

So this amendment addresses not only an inequity in the Tax Code that affects literally millions in America—21 million self-employed people—but it is also going to provide for those truly deserving, so they can afford health insurance.

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

The Senator from Indiana.

Mr. BAYH. I thank the Senator from Illinois and I yield 3 minutes to my colleague and friend, the Senator from Wisconsin, Mr. FEINGOLD.

Mr. FEINGOLD. Mr. President, I certainly thank the Senator from Indiana and the Senator from Illinois. I am delighted to be part of this effort, as three States in the Midwest link together to fight for this long-term care issue.

As the Senator from Illinois indicated, this debate all day and throughout this week has been about priorities.

By moving this bill, the majority has made clear that its highest priority is to grant tax breaks to the wealthiest 2 percent of the population. But there are other priorities that I think are more important than that.

Yes, some sensible reforms are in order to the estate tax for middle-income Americans and to address the special needs of small businesses and farmers. But we can do that and, by cutting back on the Republican plans tax cuts for the very wealthiest, still have money left over for other pressing needs.

One of our Nation's most pressing unmet needs is the acute and growing demand for help with long-term care. As our country's population ages and as Americans live longer lives, we face a major long-term care challenge in the decades to come. And I do not think we are meeting it as a country. I think we talk about Medicare, we talk about Social Security—and those are critical—but this is really the third major piece that we are not adequately addressing.

Today, one in eight Americans are over the age of 65. By 2030, one in five will be.

Today, 4 million Americans are over 85 years old. By 2030, more than twice as many—9 million Americans—will be.

And already today, 54 million Americans—one in five—live with some kind of disability. One in ten copes with a severe disability.

The job of helping people with disabilities to deal the life falls heavily on the family. Four out of five primary

helpers are relatives, and nearly half of these primary helpers live with the person with a disability.

And the burden on the family is not just emotional, but also financial. More than three-quarters of Americans age 22 to 64 with disabilities receive no public assistance.

The fact is, our Nation has no comprehensive long-term care system. Rather, patients and their families struggle through a fragmented, uncoordinated, and costly labyrinth.

Millions of vulnerable Americans cannot get the care they need. They cannot afford it, they do not qualify for the limited public funding available, or they simply cannot find the services they need.

Whenever people have a choice, they would rather get the long-term care they need in their own homes. If they can't get care at home, people want care as much like home as possible, in places like assisted living facilities. Nearly 4 out of 5 older Americans who need long-term care live in the community, and most receive no paid services.

This amendment would take one small, concrete step to help them out. Much more than this step is needed. But let us at least take this step. I urge my Colleagues to support the amendment.

What the Bayh-Durbin-Feingold amendment and the other cosponsors are trying to do and say is that instead of having this very narrow priority for the very wealthiest Americans, what we have to do is address a true crisis that will only get worse and to do something to assist people with these very difficult costs.

I thank the Senator from Indiana for the time and especially for his leadership on this issue.

Mr. BAYH. Mr. President, I thank Senator FEINGOLD and Senator DURBIN for their eloquent advocacy of this important issue.

How much time do I have remaining?

The PRESIDING OFFICER (Mr. CRAPPO). The Senator has 25 seconds remaining.

Mr. BAYH. I yield back the remainder of my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, providing for America's long-term care needs is an important priority. An important way to help Americans provide for their long-term care needs is by providing various tax incentives.

We have already addressed many of these long-term care tax incentives in other tax bills the Senate has voted on. More recently, the Senate approved the various tax incentives for long-term care insurance and provided for an additional tax exemption for those who are caring for their parents who have long-term care needs.

Last year, the Senate approved a bill which would have provided tax incentives for long-term care insurance. Unfortunately, the President vetoed that bill. When we added these tax provisions to the managed care bill, my friends on the other side opposed these incentives.

I think it is fair to say the Senate has shown its concern towards helping Americans provide for long-term care. However, I must oppose this legislation for it contains a basic defect. It is built on the Democratic alternative to the House death tax repeal bill. In other words, it strikes the House death tax repeal and replaces it with the Democratic alternative.

For this reason, I oppose the amendment and urge my colleagues to vote against it.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, a few comments. Our colleagues are proposing a tax credit for long-term health care. The Senate has passed that in a couple of bills. We passed it on minimum wage. We passed it on the Patients' Bill of Rights, giving an above-the-line deduction.

There is a difference between a deduction and a credit. By a credit, they are saying: You should pay no taxes whatsoever. We are saying: You should get a deduction. There is a difference. With a credit, you are saying that is a better priority. The Federal Government has decided that is a better priority than your health care because people don't get a credit for their health care deductions. We are going to say this is more important.

I think it is equally important. As a matter of fact, the bill we passed said we should have an above-the-line deduction for health care and for long-term health care costs. We want to encourage both. But to say that one is more important than the other, as this bill does, by saying that long-term health care is more important than health care insurance, is a mistake. Most people would say they would rather have health care.

I noticed my colleague added expensing for self-employed. I am sure my friends are aware that I am very much a proponent of that. We have led the fight to make that happen. Incidentally, we have already passed that as well. We passed that on the minimum wage bill. We passed it on the Patients' Bill of Rights. I assure my colleagues, before any minimum wage bill passes, this is going to be part of it.

What my colleagues are not telling people is, they are including with it an amendment that basically guts the estate tax provision that we have in this bill. You go in and tell employers: We want to make sure that you pay estate taxes. And if you pay estate taxes, your minimum rate, the beginning rate, under the Democrat proposal, is 37 percent. If you have a taxable estate of \$2 million, you will be paying 37 percent. I don't think they would think that is

a very good deal. Small businesspeople would say: You didn't do me any favors.

I urge my colleagues, at the appropriate time tomorrow, to vote against this amendment.

I yield back the remainder of our time.

The PRESIDING OFFICER. Under the previous order, the Senator from Wisconsin is recognized to offer an amendment.

AMENDMENT NO. 3844

Mr. FEINGOLD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD] proposes an amendment numbered 3844.

The amendment is as follows:

(Purpose: To preserve budget surplus funds so that they might be available to extend the life of Social Security and Medicare)

On page 2, line 16, after "is hereby repealed", insert the following: "for estates up to \$100,000,000 in size".

Mr. FEINGOLD. Mr. President, this is a very simple amendment. It limits the estate tax repeal for estates over \$100 million.

As I mentioned earlier on the floor, this debate is about priorities. In particular, it is a debate about where we should devote our resources. This amendment provides a clear, easily definable choice.

Many Members have indicated that reforming the estate tax, especially for small businesses and farms, should be a priority of the body. I am sympathetic to that goal. Let's face it, Mr. President. This bill goes much further than addressing that targeted concern. As it rests now, the bill leaps far beyond any commonsense definition of modest estates and provides massive tax relief to the extremely wealthy, even to multimillionaires.

How can anyone suggest that providing such massive tax relief to multimillionaires should be among our highest priorities? They seem to be doing very well. There are millions of Americans who have more pressing needs.

Fiscal prudence dictates that we exercise restraint in considering the disposition of projected budget surpluses. First and foremost, of course, these surpluses may never materialize. But even granting or assuming they do, there are many competing needs for this limited pot of money. Providing a massive tax cut to estates of over \$100 million is not the best, highest use of the projected surplus.

When we increase spending, we are implementing policies that benefit some while increasing the fiscal burden on everyone else. We are engaged, of course, in a zero sum enterprise. There is limited money. Milton Friedman's famous quote is: Of course, there is no free lunch. This is true of tax cuts as well.

Every time we lower our tax rate or create a new tax loophole, the tax burden on everyone else increases. Specific tax cuts or spending increases come with a price. They come at the expense of other tax cuts or spending increases or they come at the expense of a higher national debt.

Way too often, as we do our work, the choices we weigh are heartbreakingly difficult. They truly are. This is not one of those cases though. It may make some sense to increase the current exemption on estates, but it makes no sense at all to repeal the estate tax for the handful of estates over \$100 million.

Mr. President, surely the supporters of estate tax cuts must agree that eliminating the estate tax on the handful of estates of over \$100 million is not our highest priority, or anywhere close to it. It is not even in the ballpark. When I first ran for the Senate back in 1992, the central issue of my campaign was reducing and, hopefully, eliminating the Federal budget deficit—the result of a decade-long binge of self-indulgent fiscal policies. When I came into office, the deficit stood at about \$340 billion. Today, we hope to have a balanced budget for the second year in a row. That, of course, is a remarkable achievement. It came, in large part, because of the tough choices we made in 1993 and, to a lesser extent, in 1997. Nobody can credibly argue that our greatly improved budget position, as well as the sustained economic growth we have experienced, are not, in part, the result of the tough choices we made.

I think it would be tragic if Congress now squandered all that has been achieved to appease a handful of enormously wealthy interests—interests, it should be noted, that have been the greatest beneficiaries of our strong economy and, thus, of the fiscal responsibility shown in 1993.

This last point bears some emphasis because so often the tax cuts we have seen proposed by the majority have the immediate effect of benefiting the very well off in our society, while in fact the policy that most benefits the well-to-do is fiscal restraint, not politically appealing tax policies.

Let's exercise just a little bit of restraint. It is a very modest proposal that we just cut this thing off at a \$100 million estate. I hope my colleagues will consider adopting this amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. FEINGOLD. Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, the way I look at the Tax Code, I think it should be fair; it should be uniform. It is interesting to hear people say: This tax only applies to 2 percent, so let's sock it to them. They have been enormously successful. So what is the right rate? Is it 55 percent or 60 percent, as it

is on Americans today? Are my colleagues aware of the fact that if you have a \$10 million taxable estate, the death tax is 60 percent?

I know my colleague says he picked a higher figure, \$100 million, and that is only 55 percent. Incidentally, he didn't mention it in his comments, but he also eliminates the stepped-up basis. That means you will have a much greater capital gains tax. So you have a 55-percent rate and you have capital gains. It is a really heavy hit. Uncle Sam will get over half.

What is fair? It is easy to demagog and say those guys are supporting tax cuts for the wealthy. That is hogwash. What is fair? If somebody works their entire life and has enormous success and builds up a company—and say it is worth \$100 million, which is great—and the principal dies and their kids want to operate that plant, they don't want to sell it. Uncle Sam is entitled to 55 percent of it? I don't think so. What is fair about that or uniform about it? I don't think it makes sense. Maybe they want to continue that.

I can think of a lot of businesses—for example, Bechtel Construction is one of the world's premier construction companies; it happens to be a private business. I am sure it is worth a lot more than this. If the principal owner dies and his kids want to run it, the Government can say, no, we want half. What is right about that? Maybe I shouldn't mention anybody by name. They have never contacted me on this issue.

My point is, where is the Government's right to say that? He said we are squandering "our" resources. How is that the Federal Government's resources? They are the ones who built up these companies, but the Federal Government is entitled to take over half of it when somebody dies? Don't say, well, those estates are getting away from taxes because, under our proposal, when the property is sold, they pay capital gains. That rate is 20 percent; it is not 55 percent. To me, it is a lot more manageable. That is a taxable event just as it would be on any American. But it is basically when the property is sold, not when somebody dies.

We want to eliminate the death tax for all Americans, not just wealthy Americans. They should not have to pay a tax on death. The taxable event would be on the sale of the property—when and if they sell the property. The kids would receive the property and keep running the business; there is no tax. If they sell the business, there is a tax. They pay capital gains.

Under my colleague's proposal, they pay a whole lot more tax because he eliminates the stepped-up basis as well. You keep the extra high rates, and you also have no stepped-up basis and capital gain. So you hit them really hard.

Why don't we just make it 100 percent? Let's just eliminate anybody who accumulates wealth that happens to be over \$100 million. Then we won't have

the entrepreneurs; we won't have the Microsofts; we won't have the Oracles or the other high-tech companies; we won't have the young entrepreneurs who are building and expanding these businesses in our country.

You can go to a lot of countries that don't have taxes on estates. It is pretty easy today to start a new business in high technology. You can go to other countries easily because they want the entrepreneurs; they will welcome them in because they realize that is the engine of a growing economy, and it is fantastic, so they will give great benefits.

We have one of the highest estate taxes in the world. Some of my colleagues say: Let's only have it on the wealthy, successful people; we will really sock it to them. I think that is really unfair. The Tax Code should be uniform and fair. As a matter of fact, I think of the Constitution where I read that the Tax Code should be uniform. Now when people say we have to increase the exemption so much that we will sock it to the wealthy, the rates already at 55 percent—60 percent for some Americans—that is way too high. We say, wait a minute, the Tax Code should be uniform. Let's eliminate the tax on death on all Americans—not just wealthy Americans but on all Americans—and have the taxable event when the property is sold on wealthy Americans as well. They can pay 20 percent just as any other American does.

To me, that is fair, uniform and, frankly, would probably raise more money because wealthy people have figured out lots of ways to get around estate taxes—through foundations and other little gimmicks. They hire lots of attorneys and successful people and pay them lots of money every year to make sure they pay no tax.

It would be very interesting to know how much money is utilized—some say wasted—but generated to avoid this tax or how many businesses aren't expanded to avoid this tax.

If my colleague's amendment would pass, how many successful people would flee to another country to expand their business and grow their business so they would not be faced with the situation where they worked their entire life for success, and they happen to die, and Uncle Sam says: Thank you very much; we want 55 percent. Thank you for your efforts, but those are "our" resources. Ours? The Government didn't build that company, but the Government is entitled to over half of the estate. The power to tax is the power to destroy.

I urge my colleagues to vote no on this amendment at the appropriate time tomorrow.

The PRESIDING OFFICER. The Senator from Wisconsin has 5 minutes 26 seconds.

Mr. FEINGOLD. Mr. President, in listening to the Senator from Oklahoma, you would think I were up here proposing for the first time in American

history that we implement an estate tax or that perhaps it was something created in the heart of the 1960s as an extreme, liberal idea, and that finally the Republican majority were going to eliminate it.

That isn't the truth at all. The fact is, as I understand it, this kind of tax has been around for about a hundred years. When the Senator from Oklahoma condemns the idea of having some kind of limitation on a tax that has been there for decades and decades, in fact, I voted for it, and I assume the Senator from Oklahoma, on a number of occasions, voted for increasing the exemption. He has not taken the position in the past that it must be completely eliminated; otherwise, it is not worth increasing the exemption.

That is all this amendment does. It goes awfully high. My amendment says we are going to completely eliminate the estate tax in estates of up to \$100 million. In other words, this gentleman that the Senator from Oklahoma is concerned about leaving the United States, under my proposal, would have the first \$100 million of his estate exempted. If he is going to take off after the first \$100 million is exempted, I really question his business judgment. He has to leave the United States because somehow he is going to be taxed over \$100 million?

Let's face it—and I hate to use this term—but when you start talking about over \$100 million and having to pay some kind of tax, just as people have always had to pay in this country, the word "greed" comes to mind rather than "business judgment." There is no need in the pressure of this society to provide an exemption to the estate tax on over \$100 million. It would be absolutely clear. Under my amendment, up to \$100 million is still covered.

Why in the world can't people at that level at least help us out a little bit? Under current law, they are not getting this break anywhere near this level. But I am suggesting once we hit this extreme level, the real extreme idea here is to have no estate tax at all. That is the point.

The question is, What should the exemption level be? I am suggesting there is number up in the stratosphere. It is just absurd to provide this kind of benefit.

I would suggest that almost any average American you would ask would say, sure, if somebody is at that level, it is reasonable and fair to say they ought to pay some estate tax.

That is all this amendment tries to do.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, again, I want to be very clear. I can think of a female entrepreneur in Oklahoma building a business. It has been very successful. She built it basically from scratch. I am going to guess it is worth \$100 million. For this hypothetical example, it is worth \$100 million. I bet it

is. This business has worldwide sales in pies. She will know who I am talking about. They have had great success.

The value of that company probably 20 years ago was probably less than \$1 million. Today, for this purpose, it is worth \$100 million.

Let's say she is the sole owner of the company and she dies. Under the Democrat proposal of my colleague from Wisconsin, the tax would be 55 percent. Once you get to the higher levels, you don't get to phase in. That is \$55 million—55 percent.

Under his proposal, also you would lose the stepped-up basis, which is kind of complicated. Basically, it means you go back to the zero basis of what it was.

Since the value was almost \$1 million, or nothing, 20 years ago, you are going to have to pay another 20 percent on top of that. For this \$100 million corporation, say, her sole survivor who wants to inherit this company and keep it running has to pay a tax bill in the neighborhood of about \$75 million out of a \$100 million company.

What is right about that? What is fair about that? Nothing, zero.

Again, taxes should be uniform. They should be fair.

This amendment is written to demagog. This amendment says: Yes. These tax cuts are really going to benefit people making even over \$100 million.

My point is that the Tax Code should be fair and uniform. If we are not going to have death taxes, they should not apply to anybody. Conversely, if we eliminate the tax on death for everybody, including the people over \$100 million and under \$100 million, all would pay capital gains. So when and if that business is sold there would be a capital gains tax. It would be 20 percent. If you have a \$100 million business, or gain in property, and they sell it, the Federal Government would get \$20 million.

Isn't that enough? Why in the world would my colleague think the Federal Government under present law and under my colleague's proposal should get over 50 percent? Why would the Federal Government be entitled to 60 percent or 75 percent of that business under his proposal? He taxes them twice.

Under the proposal of my colleague from Wisconsin, the estate would pay twice: once at the death based on the appraised value, and again when the asset is sold without a stepped-up basis.

You couldn't be more unfair. If you are going to go to 75 percent, why don't you make it 100 percent?

This idea of it being the resource of the Government when somebody dies belongs in the Kremlin. It doesn't belong in the United States.

I urge my colleagues to vote no on this amendment.

Mr. ROTH. Mr. President, on behalf of the leader, I move to commit the bill to the Finance Committee to report back forthwith with the text of H.R. 8.

I send the motion to the desk.

The PRESIDING OFFICER. The motion will be received.

Mr. ROTH. Mr. President, this motion, if adopted, sends the death tax repeal directly to the President for signature. This avoids the uncertainty of a conference, expedites our tight floor schedule, and removes the possibility that floor consideration of a conference report could be delayed and blocked altogether.

I ask unanimous consent that all time on both sides be yielded.

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

Mr. INOUE. Mr. President, my colleague, Senator AKAKA, and I wish to engage the floor managers of the bill—the chairman of the Finance Committee, Senator ROTH, and the ranking member, Senator MOYNIHAN—in a discussion on the eventual compromise for estate tax relief.

As the distinguished floor managers and all Senators are well aware, the present strategy in this election year is for the Senate to pass H.R. 8 without any change. The majority will vote down all amendments and pass the bill in the exact form as received from the House. The Senate can thus avoid a conference with the House and send the bill immediately to the President to be vetoed.

The President repeatedly has said that he will veto H.R. 8 in its present form. But the President has added that he is willing to work with the Congress on a bipartisan basis to enact appropriate estate tax relief for small businesses and family farms. So, if any estate tax relief is to be enacted this year, it will occur as part of an eventual compromise on an omnibus legislative, tax, and spending package in September.

Senator AKAKA and I have raised with the distinguished floor managers the need to expand eligibility for deferral and installment payment of the estate tax.

Current law allows qualifying estates a 4-year deferral followed by 10-year installment payment of the estate tax liability arising from certain qualified interests in closely held businesses. The estate tax is not avoided or reduced but only deferred. The Treasury will receive the same amount of tax with a discounted rate of interest, but the family gets a longer period to pay the tax. This relief has proven successful in that closely held and family businesses can continue to operate and keep their workers employed while using business earnings to pay off the estate taxes.

The present deferral and installment payment relief was part of the Subchapter S Act of 1958. Congress in that Act used the same eligibility requirement for Subchapter S tax treatment of closely held businesses and for estate tax relief. Years later, eligibility was broadened for qualification under Subchapter S, but not for estate tax relief. Current eligibility for estate tax relief is too narrowly restricted.

When the expected year-end negotiations between Congress and the President turn to estate tax relief, would the distinguished bill managers seek to widen eligibility for deferral and installment payment for closely held businesses?

Mr. AKAKA. If the senior Senator from Hawaii would allow me to interject before the distinguished floor managers respond to his question, I wish to explain the need for this relief measure.

According to witnesses who have testified before Congress and tax experts, the estate tax poses a dire problem for family-owned and closely held businesses. The owners typically have all their assets tied up in the business, and they have re-invested all their profits to make the business grow. When the owners die, the estate tax must be paid within 9 months and in many cases the families will have to sell the businesses to pay the tax. With only 9 months to pay off the estate tax, the families are often forced to settle for whatever price they can get. Now, rather than face such a fire sale, many business owners will sell their businesses while they are still alive so that their families can get a fair price. Many family-owned and closely held businesses do not show up on estate tax returns, because they have already been sold off in anticipation of having to pay the tax.

Recognizing the liquidity problem that the estate tax imposes on closely held businesses, the Treasury Department has suggested that the number of owners permissible in a qualifying business should be raised from 15 to 75 so that eligibility for estate tax deferral and installment payment can be consistent with Subchapter S qualification. In the House, Representative CAROLYN MCCARTHY, together with various members of the Small Business Committee and Representative NEIL ABERCROMBIE, have advocated this proposal as H.R. 4512. This is the proposal that Senator INOUE and I have raised with the distinguished floor managers. Am I correct in my understanding that the senior Senator from Delaware and the senior Senator from New York will favorably consider this proposal for inclusion in the eventual package of estate tax relief measures?

Mr. ROTH. The two Senators are correct in their understanding. I personally do not believe that the federal estate tax should force the sale of closely held and family-owned businesses.

Mr. MOYNIHAN. The Senators from Hawaii have identified a true problem with the estate tax, and they have proposed a very meritorious solution. Let me assure the two Senators that I will do all I can to include this proposal in any estate tax relief measure.

Mr. INOUE. I thank the Senator from Delaware and the Senator from New York for their kind response.

Mr. AKAKA. I, too, join in expressing my appreciation for the distinguished floor managers' support.

Mr. DEWINE. Mr. President, I rise today in support of the "Death Tax Elimination Act." This bill would reduce federal estate and gift tax collections over the next nine years, followed by full repeal in the tenth year.

Many of my colleagues have come to the floor and made compelling arguments for the elimination of the death tax. Many have argued that the death tax is unfair and even immoral in a sense. The death tax penalizes the most productive in our society and discourages savings and investment.

Mr. President, I agree with all of these arguments. Each of these arguments supply ample warrants for eliminating the death tax. And ultimately, I have concluded the estate tax stunts continued economic growth and provides only very limited federal revenues. Simply put, the negative economic and societal consequences of the death tax, coupled with—at best—very limited contributions to federal revenues simply do not justify its continued existence.

So, what exactly does the collection of this tax mean to federal revenues? In Fiscal Year 1999, the estate tax amounted to just 1.5 percent of all federal revenues, or \$28 billion. While \$28 billion sure sounds like a lot of money, when put in the context of overall federal revenue, it is difficult to comprehend just how inconsequential this amount really is. Given that, how can anyone make the argument that the estate tax is an essential part of our nation's tax code?

Mr. President, I said before that the limited benefits of the death tax do not justify its negative economic and societal consequences. What are these negative consequences? Studies indicate that the death tax results in lower savings, reduced capital accumulation, slower economic growth, and fewer new jobs. These studies simply confirm what our own common sense should have already made plain: Confiscatory taxes, such as the death tax, discourage industry and hurt the overall economy.

Throughout this debate, I have heard my colleagues quote seemingly contradictory statistics gleaned from different studies or economic experts. I am not going to engage in that sort of discussion. Instead, I am going to focus on the stories of some of my constituents in Ohio to help confirm the facts that many studies and my own common sense tell me are true.

Like many of my colleagues, my office has received hundreds of letters from constituents and their families who have been or will be affected by the death tax. One farmer from a small town in Fulton County, Ohio wrote: ". . . the 'Death Tax' wrecks havoc on family farms when parcels have to be sold to pay estate taxes to the government. . . . We have paid our taxes on property, on our equipment, on our income and when its time to transfer our properties to our children, we do not want them to have the added burden of

having to sell off assets to pay Uncle Sam." My staff followed up with this constituent to find out more about his story. This particular farmer, who is shy about having his name used, has been involved with agriculture his whole life. He grew up on a farm owned by his father. In 1969, he purchased land of his own for about \$700 per acre. Since then, he continually has added land, and he now farms approximately 425 acres. In his words, he and his wife have sacrificed and "skimped to make sure it works." He is now 53 years-old, with three sons, all of whom farm. When the time comes, he'd like to pass his farm on to his children. Unfortunately, his land and equipment are now too expensive to escape the death tax. Rather than become more efficient and perhaps grow his farm further, this farmer has begun the process of estate planning. If we do not eliminate this tax, it is quite likely that his sons will be forced to sell land and/or equipment to meet the tax bill. This just isn't right.

A second story comes from Jerry Boes, of Antwerp, Ohio. Mr. Boes wrote: "I have worked hard all my life and paid all my taxes on everything I own. Why does the government take away 50 percent of whatever might remain upon my death?" Again, my staff followed up with Mr. Boes, who is now 62 years-old. It seems that around 15 years ago, he saw an ad in the local newspaper for opportunities to own a "Subway" sandwich shop franchise. He took a chance and almost lost his home in the process. Mr. Boes now says this: "I took chances, stuck my neck out and paid my taxes." It has indeed paid off for him. He now owns six "Subway" stores and employs around 75 people on average. I am happy to report that he was able to keep his house, too.

Mr. Boes' story is representative of our American entrepreneurial spirit. It is a fantastic example of many Americans' struggle to own their own businesses. Unfortunately, he may have done too well. When he passes away, he'd like to hand the business down to his children. But, because most of his assets are tied up in land and buildings, his children will be forced to sell about 50% of his assets to pay the death tax. He has tried to do some estate planning on at least two different occasions to no avail. He has become so frustrated that he, and I quote, "Just threw up my hands and gave up." Upon his death, I wonder what will become of his 75 employees?

Finally, there is a story of Erin Nyrop Glasgow from Dublin, Ohio. In 1952, her parents started an electrical contracting business out of the trunk of their car. They worked hard over the years to build up that business. The Sterling Electric Company currently employs 40 people. Again, this is another great story of our American entrepreneurial spirit—and one that we, as a nation, should be encouraging. In the early 1990's, Erin's parents convinced her to take over the company.

They wanted to keep it in the family upon their passing. The death of Erin's father and the fact that another local family-owned business was forced to sell upon the death of its founder, really caused her to become aware of the perils of the death tax.

Now, she spends thousands of dollars, practically on an annual basis, in estate planning. These dollars could be used to grow the business, become more efficient, or hire new employees. She views monthly finance reports with trepidation. She is happy to find out that Sterling Electric is profitable. But, it is, in her own words, "A double-edged sword." The more profitable she is, the more she'll lose upon her mother's death. Again, this is just wrong. The federal government should not, on the one hand, encourage businesses to grow and be more and more profitable, while on the other hand, threaten the loss of a family business for becoming too successful.

Mr. President, these stories tell more about the regressiveness and the simply unfair nature of the death tax better than any think tank study. Right now, we have an opportunity to eliminate this burdensome tax. This is an opportunity we simply should not miss. I urge my colleagues to support this bill, and I thank the Chair and yield the floor.

Mr. GRASSLEY. Mr. President, I want to make a few comments regarding the need to repeal the estate tax. The United States has had an estate or death tax of some form since 1916. The current version of the death tax came into existence after the Tax Reform act of 1976. This change combined the estate and gift tax structures in one gift and estate tax system, which is essentially a wealth transfer tax. Of course, that's what many on the other side stand for—they want to transfer your money to the federal government so they can decide how your money will be spent.

The Public Interest Institute at Iowa Wesleyan College has recently released a Policy Study entitled, "A Declaration of Independence from Death Taxation: A Bipartisan Appeal." The director of the Institute is Dr. Don Racheter, who I know and respect very much. I'd like to thank Dr. Don Racheter for his help with providing this information. The study was written by Edward McCaffery of the University of Southern California Law School and Richard Wagner of George Mason University. I'd like to just mention three points made by the study. These three points show from both a liberal and conservative perspective that the death tax should be repealed.

First, we've heard the other side argue that this repeal really only affects the wealthiest of taxpayers. So, once again, the other side has rolled out the old, tired class warfare argument. The fact is the death tax affects nearly everyone, not just the wealthy. In fact, a 1999 poll showed that 84 percent of the people surveyed believe the

estate tax affects other groups of Americans besides the wealthy. Anyone who owns a family business knows that the estate tax creates major hurdles for small and large family-owned enterprises, which in turn negatively affects local communities. While only about 2 percent of inherited estates are large enough to actually fall under the death tax, millions of more people have to spend substantial amounts of time and money planning their way around it.

All of society loses opportunities by these avoidance procedures. Such tactics are costly, inefficient, and they monopolize many professionals who could be spending their time on more productive endeavors.

The study also shows the death tax damages the patterns of work, savings, and capital information by encouraging taxpayers to slow their work and savings, give money away whenever possible, and spend the rest so they can die broke. By encouraging people to avoid this tax, we are damaging the entire system.

A second point the study makes is that the death tax does not provide the government with extra funds for social purposes, which our friends on the other side have been advocating. It only generates .01 to .0125% of the federal budget. More importantly, the amount of revenue collected from death tax filings has a negative impact on other forms of tax revenue and cash flow. This includes restricted savings and capital formation, hindered creation and growth of private family enterprises, lower amount of jobs, and a lower personal income. These effects lead to the loss of revenue from income taxes which is equal to or greater than that collected from the death tax.

So, when you add up the cost of collecting for the death tax, we do not gain much, if anything for our efforts.

I've heard these Treasury numbers of a \$750 billion cost over 20 years or so from the other side. The Minority Leader mentioned the \$750 billion number. Then, the senator from Minnesota, Senator WELLSTONE, upped it to \$850 billion. Then, we heard Senator BOXER come up with a trillion dollar number. Among the three of them, they've already lost \$250 billion!

And, of course, this close to the election, the Treasury Department is acting like an arm of the Democratic Party throwing numbers out of thin air to justify their cause. These estimates are about as believable as a Treasury three dollar bill. It's important to remember that many estates will lose their stepped-up basis under this repeal bill. Then, once the assets are sold, there will be a sizable capital gains tax on the entire appreciated value of the estate.

So, the government will still get a substantial amount of money from these estates over the long run, despite what the Treasury Department and the other side would have you believe.

Third, finally, we hear the argument that if the estate tax didn't exist, taxpayers would give less to charity since they wouldn't have to avoid the tax. I hope no one took seriously the so-called estimates that the senator from California alluded to, citing some ambiguous Finance Committee estimates that charities would lose \$250 billion if the estate tax is repealed. I assume these estimates were created by the other side. So, once again, we have the Democrats conjuring up their own facts to make their arguments.

Beyond the cynicism of this charitable giving argument, the study argues that the tax exemption for charitable giving does not necessarily benefit private philanthropy. If encouraging charitable giving is going to be the goal of a tax, more specific income tax laws need to be made.

The study makes the point that this charitable giving claim is based on the assumption that the tax works as a subsidy to charitable bequests. In reality, the cost of one dollar of giving, no matter the tax rate, is one dollar. The death tax is neutral towards charitable bequests as long as these bequests are exempt from tax.

Keeping a complicated death tax to encourage charitable giving is not worth the economic and social costs to the government and the taxpayers.

Mr. President, the estate tax does not accomplish any of the goals it's supposed to. It doesn't raise money overall, or promote well-being. It stands in the way of human progress and encourages wasteful and time-consuming financial planning. I hope we repeal this complicated and inefficient tax and I urge everyone to support this effort.

Mr. GORTON. Mr. President, I strongly support elimination of the federal Death Tax. The Death Tax is an injustice that should be removed from the tax code. The bill the Senate is considering, which passed the House of Representatives with a large, bipartisan majority, takes a responsible approach to ending the Death Tax by phasing-out the tax rate over a decade, and at the end of that decade eliminating the capital gains step-up in basis and creating a carryover basis to treat families with fairness upon the death of a loved one.

It is simply wrong for the Tax Collector to knock on a grieving family's door to collect taxes on the life's work and earnings of the recently deceased. There are those who charge that the Death Tax affects only the richest Americans. Apparently, they have never met the Revesz family from Battle Ground, Washington. Peter and Jane Revesz are family tree farmers, and they recently wrote to me to express their fear that the federal Death Tax may mean their farm will have to be sold and the forestland lost to development. To those who claim ending the Death Tax affects only the rich, I challenge you to listen to their words. Peter and Jane wrote to me that the

Death Tax could cause the "loss of so much of our farm and timber to taxes when we die that our children and grandchildren will lose the farm. . . . For us to have sustainable, productive timber on a family farm means that every year or two we need to have a small harvest and that the profits go to the family. To accomplish this in a 60 or more year cycle it is necessary to have a considerable value in the timber so that there can be small but steady harvest and reforestation over a long growth cycle. If much of this long-term crop is lost with each generation to estate taxes, it is impossible to continue a sustainable income for the family or a sustainable annual supply of wood products for the public. Often if a family loses a tree farm, that land becomes something other than forestland. If one family cannot make it, probably the next one cannot make it."

These are not the words of the greedy rich, they are the honest words of hard-working Americans who simply question why part of the farm they have built-up must be sold to pay the government because they die. Uncle Sam did not maintain and care for the farm, why is the government due a portion of it upon the death of its owners?

I have heard from many constituents who share this very real fear that the Death Tax will cause their children to have to sell the family farm or business to be able to pay the Internal Revenue Service.

Oak Harbor Freight Lines is a family owned business in Auburn, Washington, about 15 miles outside Seattle. Ed Vander Pol and his brother David began working at the business in the early 1970s when Oak Harbor had around 100 employees. As the years went by, Ed and David bought the business from their father and grew it to where it is today: a thriving regional trucking line with over 1100 employees. Out of those 1100, over 700 are union workers; Teamsters, mainly, driving the freight trucks and doing other jobs within the company. Naturally, Ed and David would like to keep this business in the family, and not have to sell the company to a larger, national carrier when they die.

But for all their hard work, the Vander Pol's have been rewarded with uncertainty about their company's future. They must pay a yearly life insurance bill of over \$150,000—dedicated solely to helping their children pay the onerous Death Tax bill that will be due, in cash, nine months after Ed or David dies. If not for the Death Tax, this money would be re-invested in the business and its people, growing the company and providing additional well paying jobs to people in the Seattle area.

Why should Ed and David's children have to pay a tax to the federal government upon the death of their father? Those who fight elimination of the death tax refuse to answer this basic question; they refuse to justify its existence. Instead of directly telling the

American people why they oppose ending this disgraceful tax, they choose to dust-off tired "tax cuts for the rich" rhetoric. The American people deserve honest, straight-forward answers: Those who oppose elimination of the Death Tax simply believe they know better how to spend your money than you and your children. They want to control your pocketbook both when you are alive and when you are dead. They oppose tax reform and tax cuts, whether it is ending the death tax or fixing the marriage penalty, because it means less money for them to spend from Washington, DC.

Ending the Death Tax is about protecting hard work, honoring responsible saving and investment, and protecting family farms and small businesses. The federal government should stop punishing those who pursue the American dream and restore some fairness to the tax code by eliminating the federal Death Tax.

Mrs. FEINSTEIN. Mr. President, I rise today in support of the repeal of the estate tax.

I support the repeal of the estate tax because, on a very basic and fundamental level, I believe that the estate tax is unfair.

In some respects, for example, the estate tax amounts to double taxation, taxing, at times at a confiscatory rate in excess of 50 percent, assets which were already taxed when the income was earned. Regardless of how much or how little, if you have earned money, and paid taxes on it, you ought to be able to pass it on to your children without it being taxed yet again.

I also believe that it is critical to our continued economic growth and prosperity that small business owners and family farmers be given every incentive to work and grow their business, and to be able to pass those businesses on to their children to run and grow.

If a family works for years to establish and grow a business, an heir should not find that they are forced to sell the business simply to pay taxes on it, or that they must assume a crushing debt burden—which may well make the continued survival of the business untenable—simply to pay the taxes.

That is not fair, not right, and not what the American dream is all about.

In addition, because of soaring real estate prices, the estate tax is unfair to many middle class residents of my state who never thought, planned, or expected to find themselves subject to the estate tax. And the simple fact of the matter is that they should not be subject to the estate tax.

As I am sure many of my colleagues are aware, in recent years housing prices in California have gone through the roof. Modest two and three bedroom houses in many parts of California now sell for close to three-quarters of a million dollars.

These are not mansions, but simple and straightforward middle class houses—two or three bedrooms, perhaps a small back yard—in modest neighborhoods.

But because of the soaring value of their homes, many middle class families with modest incomes now find that they would be faced with having to pay estate taxes simply because of the value of their family home.

With few other assets other than their primary residences, a parent who wanted to pass on the family home to his or her children would find that their children would be forced to sell the family house simply to pay the estate taxes on the house itself.

That is not fair and that is not right.

Mr. President, I can think of few things that this Congress can do in addressing tax reform this year that are more important than repealing the estate tax. I urge my colleagues on both sides of the aisle to join me in support of estate tax repeal.

Mr. MACK. Mr. President, I urge all of my colleagues to vote to bury the death tax once and for all. This tax is anti-family and anti-capitalist, smothers the American Dream, and is rationalized only by the greed of government and envy of success.

The debate over death tax repeal highlights, as much as any issue that we will consider, a fundamental difference in philosophy among members of this body, and between the Republican Congress and the current Administration. We in the majority believe that the federal government has no right to claims the lion's share of any person's wealth just because that person had the misfortune of dying. The proponents of the death tax think otherwise.

At the root of this philosophical difference are two vastly different views of the nature of wealth creation and its role in society. The supporters of the death tax seem to harbor a pessimistic, zero-sum view of wealth—the belief that every dollar saved by one person is one less dollar for the rest of us. This belief makes it easier to argue that a ceiling be placed on the level of wealth attained by any individual or family in America—people justify the confiscation of wealth above this level by attacking as greedy any family that seeks to accumulate more at the expenses of the rest of society.

But this view is flawed. There is no finite limit to the amount of wealth that can be created in a society. People become wealthy in a market economy by satisfying the wants of others. Wealth is not a windfall to people with natural intelligence or ability, or who happen to stumble across valuable resources; it is created by providing consumers the goods, materials, and services that they desire at a price that does not exceed their estimate of its value.

When one understands this concept, the death tax cannot be justified. If Bill Gates had chosen a career as a government bureaucrat instead of being a software entrepreneur, the tens of billions of dollars he has amassed in wealth would not have been distributed to others in society—instead, this for-

tune would never have been generated. It came about because Mr. Gates has provided goods and services to the public that they valued as much or more than the price he charged. Every voluntary exchange between that free individuals in a market economy creates wealth, and the businesses that provide the most consumer satisfaction will create the most wealth. When those goods and services are not offered, this wealth is not created, and everyone in society is poorer because their preferred choice does not exist.

Proponents of the death tax argue that the heirs and legatees of an individual's fortune did nothing to deserve this bounty. Since it is a windfall to these individuals, why shouldn't the government get a piece of the action? Some death tax supporters go one step further, and have argued on this very floor that, unlikely the heirs, the government has a claim to this wealth because it is responsible for the prosperous American economic environment. This argument amounts to the claim that, since government refrains from confiscating property while people are alive, the government is entitled to confiscate upon death.

It makes no sense to terminate property rights at death as the price to pay for their protection while living. The inheritors of property have a right to the property not because of anything they have done, but because it is the will of the decedent. If people cannot leave to their family and friends the wealth they create, they lose the incentive to create it. The higher the rate of death tax falling on their estate, the smaller, the motive to invest in and build a business. The inheritors of property have earned the right to receive it, because they served as the motivation behind the creation of wealth beyond what decedents would consume in their respective lifetimes.

It has been estimated that the death tax will cost the economy almost one trillion dollars over the next decade and almost 275,000 jobs in large part because it robs people of the incentive to invest. I regularly receive letters from older constituents explaining that they have no desire to reinvest profits in their business only to have the government claim 55 percent of the business's increase in value. I am sure all of my colleagues receive similar letters.

The death tax robs people of the incentive to build up their businesses, smothering the American Dream. The death tax eliminates the jobs that these discouraged entrepreneurs would have created. The death tax reduces the savings pool, reducing capital investments and reducing future productivity. The death tax reduces the choices of goods and services available to consumers. And, perhaps worst of all, the death tax places the interest of government over that of families.

Why do we have to impose a tax upon death? Every person spends a lifetime paying taxes on the earnings from which their life savings comes. The in-

come from inherited assets, such as stock dividends or business profits, will be taxed as it is earned. And, under our death tax repeal bill, any capital gain above the exemption amount will result in capital gains taxes when the asset is actually sold. Why the hurry to impose a tax at the time of death, a tax which forces families to sell land, personal property, and business interests that had been in the family for generations?

The only reasons are the greed of the government and the death tax supporters' disapproval of inherited wealth. Under current law, the federal government will be collecting over \$4 trillion more in taxes than it is budgeted to spend in the next decade alone. It is the federal government that needs a limit to its ability to enjoy the fruits of the hard work of our taxpayers, not the families of these taxpayers.

The supporters of the death tax seem genuinely puzzled that the American people, in poll after poll, overwhelmingly support repeal of the death tax. They cannot understand why do many people would oppose a tax that directly affects so few. But the American people understand economics much better than the death taxers. They recognize the loss of jobs and opportunity. They also harbor in their hearts the dream that one day they, too, might be so successful as to amass the wealth that is subject to the confiscatory rates of the death tax. But, most of all, they recognize that a tax may be unfair even though it targets a small segment of the population—indeed, a tax may be unfair because it does so. This part of the American spirit does not seem to be appreciated by the death taxers.

Mr. President, the specter of the federal death tax should no longer hover over our citizens, waiting to swoop down and confiscate the savings that has taken a lifetime to build. I urge all of my colleagues to vote for the Death Tax Elimination Act.

Mr. JOHNSON. Mr. President, I rise to talk about the estate tax repeal bill which is currently pending before this body. Like all of my colleagues, I deplore conditions that lead to families losing their family businesses and farms. The family farm is at dire risk of becoming extinct. Some of my colleagues want to attribute this to the estate tax which they claim prevents succeeding generations from carrying on their heritage. Rightfully, that blame belongs to a failed farm policy more than a progressive tax policy. The failed Freedom to Farm policy has driven more farmers out of business than any inheritance tax.

In my state of South Dakota, 102 estates had to pay federal estate tax in 1997. That figure amounts to .2 percent of all estates for that year. I support bringing more relief to the bulk of these estates that are trying to pass down family businesses and farms to their children, but the proposal before us does nothing for these families for ten years while bringing immediate help to the elite of the wealthy.

The House passed plan essentially does nothing for most estates that pay the estate tax over the next decade. The benefits go only to the super-rich worth almost \$4 million. Only after ten years will the family farmer and small business owner see any benefit. At that point, the entire estate tax is eliminated, exploding a \$50 billion annual hole in the budget.

I support some estate tax relief aimed at preserving family farms and small businesses. Under current law, a couple with a farm or business worth up to \$2.6 million can give it to their heirs tax-free. Our approach would raise that to \$4 million, which would mean that only 1 out of every 100 estates would face any federal estate tax.

But it would not help the super-rich, as the Republican proposal would. The federal estate tax is a progressive tax. In 1998 more than half the money collected came from estates of \$5 million or more. There were exactly 2,898 such estates nationwide. In other words, the Republican plan is aimed predominantly at helping the richest of the rich in our country. Fewer than three thousand estates would get the bulk of this tax break. Three thousand of the richest families in America would benefit.

I do not begrudge the wealthy their position. Wealth is often accumulated through hard work, serendipity and more hard work. However, there is no compelling public policy reason to give the largest single tax break in American history to those fortunate enough to be born into the right families, and expend so much revenue doing so that nothing is left for tax relief for the middle class, paying down accumulated national debt, improving schools, Medicare or veterans health care. Especially when we have such critical needs elsewhere in our society. The majority wants to give a tax break to fewer than three thousand families that will cost over \$50 billion annually. The Democrats want to help families maintain their small businesses and family farms, and we can do that for \$20 billion per year. With the remainder of that money, we can help millions of Americans meet their basic needs such as helping with extraordinarily high prescription drug costs, child care or education related expenses.

Why is it that the Senate can somehow find all this time to debate tax bills, which I agree are legitimate and important issues, but we can't find the time in this body to debate the number one issue facing the elderly and disabled in this country—rising prescription drug expenses?

Not only should we be here today questioning why it is not good policy to only give enormous federal tax breaks to the super rich but maybe we should also be questioning the huge tax breaks that go to the multi-million dollar drug companies. As reported by Fortune 500 magazine earlier this year, the pharmaceutical companies once again represent the most profitable in-

dustry in this country with profits three times that of other industries. These are the same companies that are price gouging millions of elderly senior citizens throughout America, many of whom can't afford their daily medications. Millions of individuals who Congress thus far has said "no we can't help you this year because we don't have the time to debate prescription drug proposals". Instead, we are saying to the American public that we can find the time and money to pass a fiscally irresponsible estate tax bill that will probably not help any of the millions of Medicare beneficiaries who struggle between paying for their prescription drugs and groceries.

I think we should do both. I believe we could pass a meaningful and fiscally responsible estate tax bill and still have resources available for addressing critically important priorities such as prescription drugs. Instead, my colleagues on the other side of the aisle want to use all of these resources solely for a bloated estate tax bill that will benefit only three thousand families.

Prescription drug prices are skyrocketing at unfathomable levels and drug expenditures have grown at double-digit rates during almost every year since 1980 and more than twice the rate of all other health care expenses. Not surprising, the elderly and in particular elderly women, see the largest increases. Combine this crisis with the fact that the Senate has less than eight working weeks left this year and held only one floor debate on a prescription drug bill thus far, which was forced by members on this side of the aisle, and you find the picture for the American senior looking very bleak. If we cannot address the prescription drug issue now, then when?

I am committed to helping seniors and those disabled on Medicare afford their prescription drugs. Equally, I am not going to stop fighting for lower prescription drug prices for Americans who pay by far more for prescription drugs than people in other countries.

Several bills that I have sponsored this Congress aim to address the problem of escalating prescription drug prices. However, these and other prescription drug bills have been the target of an aggressive multi million dollar advertising campaign, operated by the pharmaceutical industry and their so called front group called Citizens For Better Medicare, aimed to kill any hopes of prescription drug legislation this year. In fact, I question just how many "real citizens" are behind that name? According to Public Citizen the drug industry is on pace to spend nearly \$14 million every election and another \$150 million every two years lobbying Congress to protect its incredibly high profit rates. This is the classic case of the role of big money in politics: the industry takes in billions in profits from high prices and gives out millions in campaign contributions to make sure Congress protects those profits.

The time for Congress to act on providing an affordable, accessible prescription drug bill, while at the same time addressing skyrocketing drug prices, is now. Congress cannot be bullied by the big drug companies pocketbook any longer. Better yet, the American public cannot wait any longer. In the next couple of days the Senate may take up yet another tax bill and we will again be faced with an opportunity to address such critical priorities as prescription drugs. But I guess the American public will have to stay tuned as to whether or not we will even be given the opportunity to debate one of the greatest issues facing our nation.

ESTATE TAX ELIMINATION ACT

Mr. CAMPBELL. Mr. President, I intend to vote for H.R. 8, the Death Tax Elimination Act, as amended. On January 19, 1999, I introduced the companion bill, S. 38, to the original House bill, along with my colleagues, Senators MACK and HUTCHISON. I felt then, as I do now, this legislation is of vital importance to farmers and family business owners.

Since the time that I introduced the original companion to H.R. 8, I have heard from hundreds of Coloradans and numerous national organizations about the need to eliminate this burdensome and overreaching tax. I believe that eliminating this tax is a fundamental issue of fairness. Death should not be an event government prospers from.

Estate and gift taxes continue to be an enormous burden on American families, particularly those who pursue the American dream of owning their own business. It is often the family-owned businesses and farms that are hit with the highest tax rate when they are handed down to descendants—often immediately following the death of a loved one. Families ought to be encouraged, not discouraged, from building successful farms, ranches and businesses and keeping the ownership of those enterprises within the families that worked to make them successful.

These taxes, and the financial burdens and difficulties they create come at the worst possible time. Making a terrible situation worse is the fact that the rate of this estate tax is crushing, reaching as high as 55 percent for the highest bracket. That's higher than even the highest income tax rate bracket of 39 percent. Furthermore, the tax is due as soon as the business is turned over to the heir, allowing no time for financial planning or the setting aside of money to pay the tax bills. Estate and gift taxes right now are one of the leading reasons why the number of family-owned farms and businesses are declining; the burden of this tax is simply too much for many American families to bear.

This tax sends the troubling message that families should either sell the business while they are still alive in order to spare their descendants this huge tax after their passing, or run-down the value of the business, so that

it won't make it into their higher tax brackets. This is not how America was built. Private investment and initiative has historically been a strong part of our American heritage and we should encourage those values, not tax successful family businesses into submission.

That is why I will vote for this important legislation. We need to change the message we are sending to farmers and family business owners. The Death-tax repeal has been endorsed by numerous organizations that represent family farms and businesses such as the National Federation of Independent Business, the Farm Bureau, the Family Business Estate Tax Coalition, National Association of Women Business Owners, the National Black Chamber of Commerce, the National Indian Business Association, the U.S. Hispanic Chamber of Commerce, and the National Association of Neighborhoods.

Mr. President, if there is one thing Congress absolutely ought to do while we are trusted with our jobs it should be to protect American families and their interests. This tax is fundamentally unfair and would never survive if it were being proposed today. I urge my colleagues to support the repeal of the Death-tax and help restore a small degree of integrity to the tax structure imposed on America's families.

Thank you, Mr. President. I yield the floor.

Mr. BUNNING. Mr. President, I rise in support of H.R. 8, the Death Tax Elimination Act of 2000.

This is a sound, sensible approach to providing death tax relief. It phases out the tax over a ten-year period by gradually reducing the marginal rates that apply to estates. And it includes a so-called "step-up" in basis for the first \$1.3 million in assets (\$3 million for spouses) that applies if assets are ever sold by heirs.

Right now the marginal rates assessed against estates are the highest in our tax code—55 percent for estates larger than \$3 million plus a 5 percent surcharge assessed against larger estates. In fact, the United States has the dubious honor of imposing the most onerous estate tax in the developed world. This comes on the heels of recent moves by China, Canada and other developed countries to repeal their death taxes.

It is pitiful that in the U.S. we have worse death taxes than Communist China.

The estate tax was originally passed in 1916 to help fund our efforts in World War I. The last time I checked, that war was over. By the way, for my friends in the Senate who are still living in the early 20th century and oppose death tax repeal, I should point out that we won World War I.

Mr. President, these are a number of sound reasons to repeal the death tax. The best of these is the awful effect it has on small business and family farms. For years and years Congress has heard the sad stories about how

small business owners and farm families have to sell family enterprises just to pay the taxes on estates that are passed down from generation to generation.

Additionally, a number of recent analyses make the case for death tax repeal. Studies by the Joint Economic Committee, the National Center for Policy Analysis, the Heritage Foundation, the American Council for Capital Formation, the Institute for Policy Innovation, the Cato Institute, and others all indicate the federal estate tax imposes significant costs on the economy and family-owned businesses, resulting in lower economic growth, job creation, and the destruction of family businesses.

The death tax hurts the ability of small businesses to vie against larger competitors. For instance, in testimony before the House Ways and Means Committee, a lumberyard owner from New Jersey spoke of incurring up to \$1 million in costs associated with preserving the family business pending the death of his grandmother. At the same time the family was incurring these costs, the business was also competing against a new Home Depot store that had moved into the area. Remember that Home Depot and other big business is not subject to the estate tax.

In fact, a recent survey of 365 businesses in upstate New York found an estimated 14 jobs per business were lost in direct consequence of the costs associated with estate tax planning and payment. That amounts to more than 5,000 jobs lost in a limited geographical area. Nationally, the Wall Street Journal reported that an estimated 200,000 jobs would be created or preserved if the estate tax were eliminated.

The liberals who oppose death tax repeal claim this is a red herring, and that the bill will really only help the super-rich and multi-billionaires. In fact, 50 percent of the revenue the federal government derives from the death tax comes from estates worth less than \$5 million.

Additionally, the death tax provides less than 2 percent of the federal government's total tax revenues. To hear the Chicken Little liberals talk about it, repealing this tax would cause the sky to fall and the government to collapse for lack of funding. These are only crocodile tears from the big government addicts who cannot bear the thought of hard-working Americans not being forced to send more of their money to Washington to fund big government programs.

Although this bill passed the House by a veto-proof margin, and enjoys bipartisan support here in the Senate, the President has still promised to veto it. Well, I think we should still pass it and let him explain to the American people why he favors "death" taxes that hurt our small business and rural communities.

To his credit, the President did sign into law some death tax relief in 1997

as part of the Taxpayer Relief Act. Of course, we had to lead him kicking and screaming to the signing ceremony. And this came on the heels of his vetoing stronger death tax relief in the 1995 balanced budget bill. Then later he vetoed death tax relief in last year's tax bill.

So who knows what he will actually do in the end. We should give him the chance to decide once and for all if he wants to help us repeal the death tax. Maybe, like Paul on the road to Damascus, he will see the light. After all, as one senior House Democrat noted several years ago: "We've learned that if you don't like the President's position on the issue, all you have to do is to wait for a few days for him to change his mind."

Mr. President, surveys have consistently shown that death tax repeal is popular with Americans—70 to 80 percent usually favor it in opinion polls. It is popular for the reasons I have laid out, but the most compelling reason is a moral one. After the death of a loved one, when families are grieving, Americans just do not believe that they, or anyone else, should have to talk to the undertaker and tax man on the same day. It's just not right.

Since 1980, over 20 states have repealed their state death taxes, and it's time the federal government followed suit and learned a lesson from the states. It's time to kill the death tax, and I urge my colleagues to support this important legislation.

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate proceed to a period of morning business with Senators permitted to speak for up to 10 minutes each.

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

IN HONOR AND REMEMBRANCE OF GERALD CLIFFORD

Mr. DASCHLE. Mr. President, I would like to take a moment to reflect on the life and work of Gerald Clifford, an important and influential South Dakotan and Oglala Sioux tribal member who recently passed away after courageously battling a debilitating illness.

Gerald Clifford, with whom I worked for many years, was a leader and a driving force for change among Native Americans in South Dakota and across the country. He was a champion for rural water development in southwestern South Dakota and a strong advocate for Indian education and Indian self-determination. Earlier this week, Mr. Clifford began his journey to the spirit world at the young age of sixty. I express my heartfelt condolences to Gerald's family and relatives during this difficult time. My prayers and thoughts are with them.

The void left by Gerald's passing was felt especially deeply today, as his life was celebrated at a funeral service in