JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003—Continued

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, is it in order to continue now on the growth package?

The PRESIDING OFFICER. The regular order is the growth package.

AMENDMENTS NOS. 567, 571, 580, 593, 613, 625, 626, 627, 644 AS MODIFIED, 646, 649, 651, 654, 657, 659 AS MODIFIED, 661, 665, 673, AND 680, EN BLOC

Mr. GRASSLEY. Mr. President, I have a series of amendments that both sides have cleared. I send the amendments to the desk, ask that they be considered, as modified, ask that they be agreed to en bloc, and that the motion to reconsider be laid upon the table.

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

The amendments were agreed to, as follows:

AMENDMENT NO. 567

(Purpose: To require group health plans to provide coverage for reconstructive surgery following mastectomy, consistent with the Women's Health and Cancer Rights Act of 1998)

At the end of end of subtitle C of title V, add the following:

SEC. ___. CONFORMING THE INTERNAL REVENUE CODE OF 1986 TO REQUIREMENTS IMPOSED BY THE WOMEN'S HEALTH AND CANCER RIGHTS ACT OF 1998.

(a) IN GENERAL.—Subchapter B of chapter 100 (relating to other requirements) is amended by inserting after section 9812 the following new section:

"SEC. 9813. REQUIRED COVERAGE FOR RECONSTRUCTIVE SURGERY FOLLOWING MASTECTOMIES.

''(a) IN GENERAL.—A group health plan that provides medical and surgical benefits with respect to a mastectomy shall provide, in a case of a participant or beneficiary who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with such mastectomy, coverage for—

''(1) all stages of reconstruction of the breast on which the mastectomy has been performed,

''(2) surgery and reconstruction of the other breast to produce a symmetrical appearance, and

''(3) prostheses and physical complications of mastectomy, including lymphedemas,

in a manner determined in consultation with the attending physician and the patient. Such coverage may be subject to annual deductibles and coinsurance provisions as may be deemed appropriate and as are consistent with those established for other benefits under the plan. Written notice of the availability of such coverage shall be delivered to the participant upon enrollment and annually thereafter.

''(b) PROHIBITIONS.—A group health plan may not—

''(1) deny to a patient eligibility, or continued eligibility, to enroll or to renew coverage under the terms of the plan, solely for the purpose of avoiding the requirements of this section, and

''(2) penalize or otherwise reduce or limit the reimbursement of an attending provider, or provide incentives (monetary or otherwise) to an attending provider, to induce such provider to provide care to an individual participant or beneficiary in a manner inconsistent with this section.

''(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to prevent a group health plan from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.''

(b) CLERICAL AMENDMENT.—The table of sections for chapter 100 of such Code is amended inserting after the item relating to section 9812 the following new item:

''Sec. 9813. Required coverage for reconstructive surgery following mastectomies.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to plan years beginning on or after the date of enactment of this Act.

(2) SPECIAL RULE FOR COLLECTIVE BARGAINING AGREEMENTS.—In the case of a group health plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers, any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section shall not be treated as a termination of such collective bargaining agreement.

AMENDMENT NO. 571

(Purpose: To amend the Internal Revenue Code of 1986 to expand the combat zone income tax exclusion to include income for the period of transit to the combat zone and to remove the limitation on such exclusion for commissioned officers, and for other purposes)

On page 281, between lines 2 and 3, insert the following:

SEC. ___. EXPANSION OF INCOME TAX EXCLUSION FOR COMBAT ZONE SERVICE.

(a) COMBAT ZONE SERVICE TO INCLUDE TRANSIT TO ZONE.—Section 112(c)(3) of the Internal Revenue Code of 1986 (relating to definitions) is amended by adding at the end the following new sentence: ''Such service shall include any period (not to exceed 14 days) of direct transit to the combat zone.''.

(b) REMOVAL OF LIMITATION ON EXCLUSION FOR COMMISSIONED OFFICERS.—

(1) IN GENERAL.—Subsection (b) of section 112 of the Internal Revenue Code of 1986 (relating to certain combat zone compensation of members of the Armed Forces) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 112(a) of such Code is amended—

(i) by striking ''below the grade of commissioned officer'', and

(ii) by striking ''ENLISTED PERSONNEL'' in the heading and inserting ''IN GENERAL''.

(B) Section 112(c) of such Code is amended by striking paragraphs (1) and (5) and by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2002.

SEC. ___. AVAILABILITY OF CERTAIN TAX BENEFITS FOR MEMBERS OF THE ARMED FORCES PERFORMING SERVICES AT GUANTANAMO BAY NAVAL STATION, CUBA, AND ON THE ISLAND OF DIEGO GARCIA.

(a) GENERAL RULE.—In the case of a member of the Armed Forces of the United States who is entitled to special pay under section 305 of title 37, United States Code (relating to special pay: hardship duty pay), for services performed as a member of the Joint Task Force Guantanamo at Guantanamo Bay Naval Station, Cuba, or for services performed on the Island of Diego Garcia as part of Operation Iraqi Freedom, such member shall be treated in the same manner as if such services were in a combat zone (as determined under section 112 of the Internal Revenue Code of 1986) for purposes of the following provisions of such Code:

(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

(3) Section 692 (relating to income taxes of members of Armed Forces on death).

(4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

(5) Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

(7) Section 6013(f)(1) (relating to joint return where individual is in missing status).

(8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), this section shall take effect on January 1, 2003.

(2) WITHHOLDING.—Subsection (a)(5) shall apply to remuneration paid after December 31, 2002.

AMENDMENT NO. 580

(Purpose: To amend the Internal Revenue Code of 1986 to allow employees in renewal communities to qualify for the renewal community employment credit by employing residents of certain other communities)

At the end of end of subtitle C of title V add the following:

SEC. ___. RENEWAL COMMUNITY EMPLOYERS MAY QUALIFY FOR EMPLOYMENT CREDIT BY EMPLOYING RESIDENTS OF CERTAIN OTHER RENEWAL COMMUNITIES.

(a) IN GENERAL.—Section 1400H(b)(2) (relating to modification) is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and by adding at the end the following new paragraph:

''(3) subsection (d)(1)(B) thereof shall be applied by substituting 'such renewal community, an adjacent renewal community within the same State as such renewal community, or a renewal community within such State which is within 5 miles of any border of such renewal community' for 'such empowerment zone'.''.

(b) REDUCTION OF ACCELERATION OF TOP RATE REDUCTION IN INDIVIDUAL INCOME TAX RATES.—Notwithstanding the amendment made by section 102(a) of this Act, in lieu of the percent specified in the last column of the table in paragraph (2) of section 1(i) of the Internal Revenue Code of 1986, as amended by such section 102(a), for taxable years beginning during calendar year 2003, 35.1% shall be substituted for such year.

(c) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall take effect as if included in the amendment made by section 101(a) of the Community Renewal Tax Relief Act of 2000.

(2) Subsection (b) shall take effect on the date of enactment of this Act.

AMENDMENT NO. 593

(The amendment is printed in the RECORD of May 14, 2003 under ''Text of Amendments.'')

AMENDMENT NO. 613

(Purpose: To clarify that water and sewerage service laterals qualify as contribution in aid of construction)

On page 281, between lines 2 and 3, insert the following:

SEC. ___. CLARIFICATION OF CONTRIBUTION IN AID OF CONSTRUCTION FOR WATER AND SEWERAGE DISPOSAL UTILITIES.

(a) IN GENERAL.—Subparagraph (A) of section 118(c)(3) (relating to definitions) is amended to read as follows:

''(A) CONTRIBUTION IN AID OF CONSTRUCTION.—The term 'contribution in aid of construction' shall be defined by regulations prescribed by the Secretary, except that such term—

''(i) shall include amounts paid as customer connection fees (including amounts paid to connect the customer's water service line or sewer lateral line to the utility's distribution or collection system or extend a main water or sewer line to provide service to a customer), and

''(ii) shall not include amounts paid as service charges for starting or stopping services.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions made after the date of the enactment of this Act.

AMENDMENT NO. 625

(The text of the amendment is printed in today's RECORD under ''Text of Admendments.'')

AMENDMENT NO. 626

(Purpose: To amend the Internal Revenue Code to simplify certain provisions applicable to real estate investment trusts)

At the approprite place, add the following:

TITLE I—REIT CORRECTIONS

SEC. 101. REVISIONS TO REIT ASSET TEST.

(a) EXPANSION OF STRAIGHT DEBT SAFE HARBOR.—Section 856 (defining real estate investment trust) is amended—

(1) in subsection (c) by striking paragraph (7), and

(2) by adding at the end the following new subsection:

''(m) SAFE HARBOR IN APPLYING SUBSECTION (c)(4)—

''(1) IN GENERAL.—In applying subclause (III) of subsection (c)(4)(B)(iii), except as otherwise determined by the Secretary in regulations, the following shall not be considered securities held by the trust:

''(A) Straight debt securities of an issuer which meet the requirements of paragraph (2).

''(B) Any loan to an individual or an estate.

''(C) Any section 467 rental agreement (as defined in section 467(d)), other than with a person described in subsection (d)(2)(B).

''(D) Any obligation to pay rents from real property (as defined in subsection (d)(1)).

''(E) Any security issued by a State or any political subdivision thereof, the District of Columbia, a foreign government or any political subdivision thereof, or the Commonwealth of Puerto Rico, but only if the determination of any payment received or accrued under such security does not depend in whole or in part on the profits of any entity not described in this subparagraph or payments on any obligation issued by such an entity,

''(F) Any security issued by a real estate investment trust.

''(G) Any other arrangement as determined by the Secretary.

''(2) SPECIAL RULES RELATING TO STRAIGHT DEBT SECURITIES.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), securities meet the requirements of this paragraph if such securities are straight debt, as defined in section 1361(c)(5) (without regard to subparagraph (B)(iii) thereof).

(B) SPECIAL RULES RELATING TO CERTAIN CONTINGENCIES.—For purposes of subparagraph (A), any interest or principal shall not be treated as failing to satisfy section 1361(c)(5)(B)(i) solely by reason of the fact that the time of payment of such interest or principal is subject to a contingency, but only if—

''(i) any such contingency does not have the effect of changing the effective yield to maturity, as determined under section 1272, other than a change in the annual yield to maturity which either—

''(I) does not exceed the greater of ¼ of 1 percent or 5 percent of the annual yield to maturity, or

''(II) results solely from a default or the exercise of a prepayment right by the issuer of the debt, or

''(ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt instruments held by the trust exceeds $1,000,000 and not more than 12 months of unaccrued interest can be required to be prepaid thereunder.

''(C) SPECIAL RULES RELATING TO CORPORATE OR PARTNERSHIP ISSUERS.—In the case of an issuer which is a corporation or a partnership, securities that otherwise would be described in paragraph (1)(A) shall be considered not to be so described if the trust holding such securities and any of its controlled taxable REIT subsidiaries (as defined in subsection (d)(8)(A)(iv)) hold any securities of the issuer which—

''(i) are not described in paragraph (1) (prior to the application of paragraph (1)(C)), and

''(ii) have an aggregate value greater than 1 percent of the issuer's outstanding securities.

''(3) LOOK-THROUGH RULE FOR PARTNERSHIP SECURITIES.—

''(A) IN GENERAL.—For purposes of applying subclause (III) of subsection (c)(4)(B)(iii)—

''(i) a trust's interest as a partner in a partnership (as defined in section 7701(a)(2)) shall not be considered a security, and

''(ii) the trust shall be deemed to own its proportionate share of each of the assets of the partnership.

''(B) DETERMINATION OF TRUST'S INTEREST IN PARTNERSHIP ASSETS.—For purposes of subparagraph (A), with respect to any taxable year beginning after the date of the enactment of this subparagraph—

''(i) the trust's interest in the partnership assets shall be the trust's proportionate interest in any securities issued by the partnership (determined without regard to subparagraph (A)(i) and paragraph (4), but not including securities described in paragraph (1)), and

''(ii) the value of any debt instrument shall be the adjusted issue price thereof, as defined in section 1272(a)(4).

''(4) CERTAIN PARTNERSHIP DEBT INSTRUMENTS NOT TREATED AS A SECURITY.—For purposes of applying subclause (III) of subsection (c)(4)(B)(iii)—

''(A) any debt instrument issued by a partnership and not described in paragraph (1) shall not be considered a security to the extent of the trust's interest as a partner in the partnership, and

''(B) any debt instrument issued by a partnership and not described in paragraph (1) shall not be considered a security if at least 75 percent of the partnership's gross income (excluding gross income from prohibited transactions) is derived from sources referred to in subsection (c)(3).

''(5) SECRETARIAL GUIDANCE.—The Secretary is authorized to provide guidance (including through the issuance of a written determination, as defined in section 6110(b)) that an arrangement shall not be considered a security held by the trust for purposes of applying subclause (III) of subsection (c)(4)(B)(iii) notwithstanding that such arrangement otherwise could be considered a security under subparagraph (F) of subsection (c)(5).''

SEC. 102. CLARIFICATION OF APPLICATION OF LIMITED RENTAL EXCEPTION.

Subparagraph (A) of section 856(d)(8) (relating to special rules for taxable REIT subsidiaries) is amended to read as follows:

''(A) LIMITED RENTAL EXCEPTION.—

(i) IN GENERAL.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is rented to persons other than taxable REIT subsidiaries of such trust and other than persons described in paragraph (2)(B).

(ii) RENTS MUST BE SUBSTANTIALLY COMPARABLE.—Clause (i) shall apply only to the extent that the amounts paid to the trust as rents from real property (as defined in paragraph (1) without regard to paragraph (2)(B)) from such property are substantially comparable to such rents paid by the other tenants of the trust's property for comparable space.

''(iii) TIMES FOR TESTING RENT COMPARABILITY.—The substantial comparability requirement of clause (ii) shall be treated as met with respect to a lease to a taxable REIT subsidiary of the trust if such requirement is met under the terms of the lease—

''(I) at the time such lease is entered into,

''(II) at the time of each extension of the lease, including a failure to exercise a right to terminate, and

''(III) at the time of any modification of the lease between the trust and the taxable REIT subsidiary if the rent under such lease is effectively increased pursuant to such modification.

With respect to subclause (III), if the taxable REIT subsidiary of the trust is a controlled taxable REIT subsidiary of the trust, the term 'rents from real property' shall not in any event include rent under such lease to the extent of the increase in such rent on account of such modification.

''(iv) CONTROLLED TAXABLE REIT SUBSIDIARY.—For purposes of clause (iii), the term 'controlled taxable REIT subsidiary' means, with respect to any real estate investment trust, any taxable REIT subsidiary of such trust if such trust owns directly or indirectly—

''(I) stock possessing more than 50 percent of the total voting power of the outstanding stock of such subsidiary, or

''(11) stock having a value of more than 50 percent of the total value of the outstanding stock of such subsidiary.

''(v) CONTINUING QUALIFICATION BASED ON THIRD PARTY ACTIONS.—If the requirements of clause (i) are met at a time referred to in clause (iii), such requirements shall continue to be treated as met so long as there is no increase in the space leased to any taxable REIT subsidiary of such trust or to any person described in paragraph (2)(B).

''(vi) CORRECTION PERIOD.—If there is an increase referred to in clause (v) during any calendar quarter with respect to any property, the requirements of clause (iii) shall be treated as met during the quarter and the succeeding quarter if such requirements are met at the close of such succeeding quarter.''.

SEC. 103. DELETION OF CUSTOMARY SERVICES EXCEPTION.

Subparagraph (B) of section 857(b)(7) (relating to redetermined rents) is amended by striking clause (ii) and by redesignating

clauses (iii), (iv), (v), (vi), and (vii) as clauses (ii), (iii), (iv), (v), and (vi), respectively.

SEC. 104. CONFORMITY WITH GENERAL HEDGING DEFINITION.

(a) DEFINITION.—Subparagraph (G) of section 856(c)(5) (relating to treatment of certain hedging instruments) is amended to read as follows:

''(G) TREATMENT OF CERTAIN HEDGING INSTRUMENTS.—Except to the extent provided by regulations, any income of a real estate investment trust from a hedging transaction (as defined in clause (ii) or (iii) of section 1221(b)(2)(A)) which is clearly identified pursuant to section 1221(a)(7), including gain from the sale or disposition of such a transaction, shall not constitute gross income under paragraph (2) to the extent that the transaction hedges any indebtedness incurred or to be incurred by the trust to acquire or carry real estate assets.''.

SEC. 105. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ''90 percent'' and inserting ''95 percent''.

SEC. 106. PROHIBITED TRANSACTIONS PROVISIONS.

(a) EXPANSION OF PROHIBITED TRANSACTION SAFE HARBOR.—Section 857(b)(6) (relating to income from prohibited transactions) is amended by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively, and by inserting after subparagraph (C) the following new subparagraph:

''(D) CERTAIN SALES NOT TO CONSTITUTE PROHIBITED TRANSACTIONS.—For purposes of this part, the term 'prohibited transaction' does not include a sale of property which is a real estate asset (as defined in section 856(c)(5)(B)) if—

''(i) the trust held the property for not less than 4 years in connection with the trade or business of producing timber,

''(ii) the aggregate expenditures made by the trust, or a partner of the trust, during the 4-year period preceding the date of sale which—

''(I) are includible in the basis of the property (other than timberland acquisition expenditures), and

''(II) are directly related to operation of the property for the production of timber, or for the preservation of the property for use as timberland,

do not exceed 30 percent of the net selling price of the property,

''(iii) the aggregate expenditures made by the trust, or a partner of the trust, during the 4-year period preceding the date of sale which—

''(I) are includible in the basis of the property (other than timberland acquisition expenditures), and

''(II) are directly related to operation of the property for the production of timber, or for the preservation of the property for use as timberland,

do not exceed 50 percent of the net selling price of the property,

''(iv)(I) during the taxable year the trust does not make more than 7 sales of property (other than sales of foreclosure property or sales to which section 1033 applies), or

''(II) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the taxable year does not exceed 10 percent of the aggregate bases (as so determined) of all of the assets of the trust as of the beginning of the taxable year,

''(v) in the case that the requirement of clause (iv)(I) is not satisfied, substantially all of the marketing expenditures with respect to the property were made through an independent contractor (as defined in section 856(d)(3)) from whom the trust itself does not derive or receive any income, and

''(vi) the sales price of the property sold by the trust to its taxable REIT subsidiary is not based in whole or in part on the income or profits of the subsidiary or the income or profits that the subsidiary derives from the sale or operation of such property.''.

SEC. 107. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this title shall apply to taxable years beginning after December 31, 2000.

(b) Sections 103 THROUGH 106.—The amendments made by sections 103, 104, 105 and 106 shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE III—REIT SAVINGS PROVISIONS

SEC. 301. REVISIONS TO REIT PROVISIONS.

(a) RULES OF APPLICATION FOR FAILURE TO SATISFY SECTION 856(c)(4).—Section 856(c) (relating to definition of real estate investment trust), as amended by section 101, is amended by inserting after paragraph (6) the following new paragraph:

''(7) RULES OF APPLICATION FOR FAILURE TO SATISFY PARAGRAPH (4).—

''(A) DE MINIMIS FAILURE.—A corporation, trust, or association that fails to meet the requirements of paragraph (4)(B)(iii) for a particular quarter shall nevertheless be considered to have satisfied the requirements of such paragraph for such quarter if—

''(i) such failure is due to the ownership of assets the total value of which does not exceed the lesser of—

''(I) 1 percent of the total value of the trust's assets at the end of the quarter for which such measurement is done, and

''(II) $10,000,000, and

''(ii)(I) the corporation, trust, or association, following the identification of such failure, disposes of assets in order to meet the requirements of such paragraph within 6 months after the last day of the quarter in which the corporation, trust or association's identification of the failure to satisfy the requirements of such paragraph occurred or such other time period prescribed by the Secretary and in the manner prescribed by the Secretary, or

''(II) the requirements of such paragraph are otherwise met within the time period specified in subclause (I).

''(B) FAILURES EXCEEDING DE MINIMIS AMOUNT.—A corporation, trust, or association that fails to meet the requirements of paragraph (4) for a particular quarter shall nevertheless be considered to have satisfied the requirements of such paragraph for such quarter if—

''(i) such failure involves the ownership of assets the total value of which exceeds the de minimis standard described in subparagraph (A)(i) at the end of the quarter for which such measurement is done,

''(ii) following the corporation, trust, or association's identification of the failure to satisfy the requirements of such paragraph for a particular quarter, a description of each asset that causes the corporation, trust, or association to fail to satisfy the requirements of such paragraph at the close of such quarter of any taxable year is set forth in a schedule for such quarter filed in accordance with regulations prescribed by the Secretary,

''(iii) the failure to meet the requirements of such paragraph for a particular quarter is due to reasonable cause and not due to willful neglect,

''(iv) the corporation, trust, or association pays a tax computed under subparagraph (C), and

''(v)(I) the corporation, trust, or association disposes of the assets set forth on the schedule specified in clause (ii) within 6 months after the last day of the quarter in which the corporation, trust or association's identification of the failure to satisfy the requirements of such paragraph occurred or such other time period prescribed by the Secretary and in the manner prescribed by the Secretary, or

''(II) the requirements of such paragraph are otherwise met within the time period specified in subclause (I).

''(C) TAX.—For purposes of subparagraph (B)(iv)—

''(i) TAX IMPOSED.—If a corporation, trust, or association elects the application of this subparagraph, there is hereby imposed a tax on the failure described in subparagraph (B) of such corporation, trust, or association. Such tax shall be paid by the corporation, trust, or association.

''(ii) TAX COMPUTED.—The amount of the tax imposed by clause (i) shall be the greater of—

''(I) $50,000, or

''(II) the amount determined (pursuant to regulations promulgated by the Secretary) by multiplying the net income generated by the assets described in the schedule specified in subparagraph (B)(ii) for the period specified in clause (iii) by the highest rate of tax specified in section 11.

''(iii) PERIOD.—For purposes of clause (ii)(II), the period described in this clause is the period beginning on the first date that the failure to satisfy the requirements of such paragraph (4) occurs as a result of the ownership of such assets and ending on the earlier of the date on which the trust disposes of such assets or the end of the first quarter when there is no longer a failure to satisfy such paragraph (4).

''(iv) ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, the taxes imposed by this subparagraph shall be treated as excise taxes with respect to which the deficiency procedures of such subtitle apply.''.

(b) MODIFICATION OF RULES OF APPLICATION FOR FAILURE TO SATISFY SECTIONS 856(C)(2) OR 856(C)(3).—Paragraph (6) of section 856(c) (relating to definition of real estate investment trust) is amended by striking subparagraphs (A) and (B), by redesignating subparagraph (C) as subparagraph (B), and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

''(A) following the corporation, trust, or association's identification of the failure to meet the requirements of paragraph (2) or (3), or of both such paragraphs, for any taxable year, a description of each item of its gross income described in such paragraphs is set forth in a schedule for such taxable year filed in accordance with regulations prescribed by the Secretary, and''.

(c) REASONABLE CAUSE EXCEPTION TO LOSS OF REIT STATUS IF FAILURE TO SATISFY REQUIREMENTS.—Subsection (g) of section 856 (relating to termination of election) is amended—

(1) in paragraph (1) by inserting before the period at the end of the first sentence the following: 'unless paragraph (5) applies', and

(2) by adding at the end the following new paragraph:

''(5) ENTITIES TO WHICH PARAGRAPH APPLIES.—This paragraph applies to a corporation, trust, or association—

''(A) which is not a real estate investment trust to which the provisions of this part apply for the taxable year due to one or more failures to comply with one or more of the provisions of this part (other than subsection (c)(6) or (c)(7) of section 856),

''(B) such failures are due to reasonable cause and not due to willful neglect, and

''(C) if such corporation, trust, or association pays (as prescribed by the Secretary in

regulations and in the same manner as tax) a penalty of $50,000 for each failure to satisfy a provision of this part due to reasonable cause and not willful neglect.''.

(d) DEDUCTION OF TAX PAID FROM AMOUNT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) is amended by striking ''(7)'' and inserting ''(7) of this subsection, section 856(c)(7)(B)(iii), and section 856(g)(1).''.

(e) EXPANSION OF DEFICIENCY DIVIDEND PROCEDURE.—Subsection (e) of section 860 is amended by striking ''or'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ''; or'', and by adding at the end the following new paragraph:

''(4) a statement by the taxpayer attached to its amendment or supplement to a return of tax for the relevant tax year.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after date of enactment.

AMENDMENT 627

(Purpose: To exclude certain punitive damages received by the taxpayer from gross income)

At the end of subtitle C of title V, add the following:

SEC. ___. EXCLUSION OF CERTAIN PUNITIVE DAMAGE AWARDS.

(a) IN GENERAL.—Section 104 (relating to compensation for injuries or sickness) is amended by redesignating subsection (d) as subsection (e), and by inserting after subsection (c) the following new subsection:

''(d) EXCLUSION OF PUNITIVE DAMAGES PAID TO A STATE UNDER A SPLIT-AWARD STATUTE.—

''(1) IN GENERAL.—The phrase '(other than punitive damages)' in subsection (a) shall not apply to—

''(A) any portion of an award of punitive damages in a civil action which is paid to a State under a split-award statute, or

''(B) any attorneys' fees or other costs incurred by the taxpayer in connection with obtaining an award of punitive damages to which subparagraph (A) is applicable.

''(2) SPLIT-AWARD STATUTE.—For purposes of this subsection, the term 'split-award statute' means a State law that requires a fixed portion of an award of punitive damages in a civil action to be paid to the State.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to awards made in taxable years ending after the date of the enactment of this Act.

AMENDMENT NO. 644, AS MODIFIED

(Purpose: To extend certain expiring provisions)

At the end, insert the following:

TITLE VII—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions of Expiring Provisions

SEC. 701. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) IN GENERAL.—Subsection (f) of section 9812 is amended by striking ''2003'' and inserting ''2004''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2002.

SEC. 702. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Paragraph (2) of section 26(a) is amended—

(1) by striking ''RULE FOR 2000, 2001, 2002, AND 2003.—'' and inserting ''RULE FOR 2000, 2001, 2002, 2003, AND 2004.—'', and

(2) by striking ''during 2000, 2001, 2002, or 2003,'' and inserting ''during 2000, 2001, 2002, 2003, or 2004''.

(b) CONFORMING AMENDMENTS.—

(1) Section 904(h) is amended by striking ''during 2000, 2001, 2002, or 2003'' and inserting ''during 2000, 2001, 2002, 2003, or 2004''.

(2) The amendments made by sections 201(b), 202(f), and 618(b) of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to taxable years beginning during 2004.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 703. CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES.

(a) IN GENERAL.—Subparagraphs (A), (B), and (C) of section 45(c)(3) are each amended by striking ''2004'' and inserting ''2005''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to facilities placed in service after December 31, 2002.

SEC. 704. WORK OPPORTUNITY CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking ''2003'' and inserting ''2004''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2002.

SEC. 705. WELFARE-TO-WORK CREDIT.

(a) IN GENERAL.—Subsection (f) of section 51A is amended by striking ''2003'' and inserting ''2004''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2002.

SEC. 706. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking ''2004'' and inserting ''2005''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

SEC. 707. QUALIFIED ZONE ACADEMY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 1397E(e) is amended by striking ''2000, 2001, 2002, and 2003'' and inserting ''2000, 2001, 2002, 2003, and 2004''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 708. COVER OVER OF TAX ON DISTILLED SPIRITS.

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking ''January 1, 2004'' and inserting ''January 1, 2005''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to articles brought into the United States after December 31, 2002.

SEC. 709. DEDUCTION FOR CORPORATE DONATIONS OF COMPUTER TECHNOLOGY.

(a) EXTENSION OF DEDUCTION.—Section 170(e)(6)(G) (relating to termination) is amended by striking ''December 31, 2003'' and inserting ''December 31, 2004''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after December 31, 2002.

SEC. 710. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) IN GENERAL.—Section 30 is amended—

(1) in subsection (b)(2)—

(A) by striking ''December 31, 2003,'' and inserting ''December 31, 2004,'', and

(B) in subparagraphs (A), (B), and (C), by striking ''2004'', ''2005'', and ''2006'', respectively, and inserting ''2005'', ''2006'', and ''2007'', respectively.

(2) in subsection (e), by striking ''December 31, 2006'' and inserting ''December 31, 2007''.

(b) CONFORMING AMENDMENTS.—Clause (iii) of section 280F(a)(1)(C) is amended by striking ''2007'' and inserting ''2008''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2002.

SEC. 711. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) IN GENERAL.—Section 179A is amended—

(1) in subsection (b)(1)(B)—

(A) by striking ''December 31, 2003,'' and inserting ''December 31, 2004,'', and

(B) in clauses (i), (ii), and (iii), by striking ''2004'', ''2005'', and ''2006'', respectively, and inserting ''2005'', ''2006'', and ''2007'', respectively, and

(2) in subsection (f), by striking ''December 31, 2006'' and inserting ''December 31, 2007''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to property placed in service after December 31, 2002.

SEC. 712. DEDUCTION FOR CERTAIN EXPENSES OF SCHOOL TEACHERS.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) is amended by striking ''during 2002 or 2003'' and inserting ''during 2002, 2003, or 2004''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

SEC. 713. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.

(a) IN GENERAL.—Paragraphs (2) and (3)(B) of section 220(i) (defining cut-off year) are each amended by striking ''2003'' each place it appears and inserting ''2004''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 220(j) is amended by striking ''1998, 1999, 2001, or 2002'' each place it appears and inserting ''1998, 1999, 2001, 2002, or 2003''.

(2) Subparagraph (A) of section 220(j)(4) is amended by striking ''and 2002'' and inserting ''2002, and 2003''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2003.

SEC. 714. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by striking ''2003'' and inserting ''2004''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after December 31, 2002.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2003.

AMENDMENT NO. 646

(Purpose: To allow a credit for distilled spirits wholesalers and for distilled spirits in control State bailment warehouses against income tax for the cost of carrying Federal excise taxes prior to the sale of the product bearing the tax)

On page 281, between lines 2 and 3, insert the following:

SEC. ___. INCOME TAX CREDIT FOR DISTILLED SPIRITS WHOLESALERS AND FOR DISTILLED SPIRITS IN CONTROL STATE BAILMENT WAREHOUSES FOR COSTS OF CARRYING FEDERAL EXCISE TAXES ON BOTTLED DISTILLED SPIRITS.

(a) IN GENERAL.—Subpart A of part I of subchapter A of chapter 51 (relating to gallonage and occupational taxes) is amended by adding at the end the following new section:

''SEC. 5011. INCOME TAX CREDIT FOR AVERAGE COST OF CARRYING EXCISE TAX.

''(a) IN GENERAL.—For purposes of section 38, the amount of the distilled spirits credit

for any taxable year is the amount equal to the product of—

''(1) in the case of—

''(A) any eligible wholesaler—

''(i) the number of cases of bottled distilled spirits—

''(I) which were bottled in the United States, and

''(II) which are purchased by such wholesaler during the taxable year directly from the bottler of such spirits, or

''(B) any person which is subject to section 5005 and which is not an eligible wholesaler, the number of cases of bottled distilled spirits which are stored in a warehouse operated by, or on behalf of, a State, or agency or political subdivision thereof, on which title has not passed on an unconditional sale basis, and

''(2) the average tax-financing cost per case for the most recent calendar year ending before the beginning of such taxable year.

''(b) ELIGIBLE WHOLESALER.—For purposes of this section, the term 'eligible wholesaler' means any person which holds a permit under the Federal Alcohol Administration Act as a wholesaler of distilled spirits which is not a State, or agency or political subdivision thereof.

''(c) AVERAGE TAX-FINANCING COST.—

''(1) IN GENERAL.—For purposes of this section, the average tax-financing cost per case for any calendar year is the amount of interest which would accrue at the deemed financing rate during a 60-day period on an amount equal to the deemed Federal excise tax per case.

''(2) DEEMED FINANCING RATE.—For purposes of paragraph (1), the deemed financing rate for any calendar year is the average of the corporate overpayment rates under paragraph (1) of section 6621(a) (determined without regard to the last sentence of such paragraph) for calendar quarters of such year.

''(3) DEEMED FEDERAL EXCISE TAX PER CASE.—For purposes of paragraph (1), the deemed Federal excise tax per case is $25.68.

''(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) CASE.—The term 'case' means 12 80-proof 750 milliliter bottles.

''(2) NUMBER OF CASES IN LOT.—The number of cases in any lot of distilled spirits shall be determined by dividing the number of liters in such lot by 9.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 38 is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following new paragraph:

''(16) the distilled spirits credit determined under section 5011(a).''.

(2) Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF SECTION 5011 CREDIT BEFORE JANUARY 1, 2003.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 5011(a) may be carried back to a taxable year beginning before January 1, 2003.''.

(3) The table of sections for subpart A of part I of subchapter A of chapter 51 is amended by adding at the end the following new item:

''Sec. 5011. Income tax credit for average cost of carrying excise tax.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

AMENDMENT NO. 649

(Purpose: To provide tax relief to growers affected by citrus canker)

At the appropriate place insert the following:

SEC. . CITRUS CANKER TREE RELIEF.

(a) RATABLE INCLUSION.—

(1) IN GENERAL.—Part I of subchapter Q of chapter 1 (relating to income averaging) is amended by inserting after section 1301 the following new section:

''SEC. 1302. RATABLE INCOME INCLUSION FOR CITRUS CANKER TREE PAYMENTS.

''(a) IN GENERAL.—At the election of the taxpayer, any amount taken into account as income or gain by reason of receiving a citrus canker tree payment shall be included in the income of the taxpayer ratably over the 10-year period beginning with the taxable year in which the payment is received or accrued by the taxpayer. Such election shall be made on the return of tax for such taxable year in such manner as the Secretary prescribes, and, once made shall be irrevocable.

''(b) CITRUS CANKER TREE PAYMENT.—For purposes of subsection (a), the term 'citrus canker tree payment' means a payment made to an owner of a commercial citrus grove to recover income that was lost as a result of the removal of commercial citrus trees to control canker under the amendments to the citrus canker regulations (7 C.F.R. 301) made by the final rule published in the Federal Register by the Secretary of Agriculture on June 18, 2001 (66 Fed. Reg. 32713, Docket No. 00–37–4).''

(2) CLERICAL AMENDMENT.—The table of sections for part I of subchapter Q of chapter 1 is amended by inserting after the item relating to section 1301 the following new item:

''SEC. 1302. RATABLE INCOME INCLUSION FOR CITRUS CANKER TREE PAYMENTS.''.

(b) EXPANSION OF PERIOD WITHIN WHICH CONVERTED CITRUS TREE PROPERTY MUST BE REPLACED.—Section 1033 (relating to period within which property must be replaced) is amended by redesignating subsection (k) as subsection (1) and by inserting after subsection (j) the following new subsection:

''(k) COMMERCIAL TREES DESTROYED BECAUSE OF CITRUS TREE CANKER.—In the case of commercial citrus trees which are compulsorily or involuntarily converted under a public order as a result of the citrus tree canker, clause (i) of subsection (a)(2)(B) shall be applied as if such clause reads: '4 years after the close of the first taxable year in which any part of the gain upon conversion is realized, or such additional period after the close of such taxable year as determined appropriate by the Secretary on a regional basis if a State or Federal plant health authority determines with respect to such region that the land on which such trees grew is not free from the bacteria that causes citrus tree canker'.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

AMENDMENT NO. 651

(Purpose: To amend the Internal Revenue Code of 1986 to allow for the expansion of areas designated as renewal communities based on 2000 census data)

At the end of subtitle C of title V, insert the following:

SEC. ___. EXPANSION OF DESIGNATED RENEWAL COMMUNITY AREA BASED ON 2000 CENSUS DATA.

(a) RENEWAL COMMUNITIES.—

(1) IN GENERAL.—Section 1400E (relating to designation of renewal communities) is amended by adding at the end the following new subsection:

''(g) EXPANSION OF DESIGNATED AREAS.—

''(1) EXPANSION BASED ON 2000 CENSUS.—At the request of the nominating entity with respect to a renewal community, the Secretary of Housing and Urban Development may expand the area of a renewal community to include any census tract—

''(A) which, at the time such community was nominated, met the requirements of this section for inclusion in such community but for the failure of such tract to meet 1 or more of the population and poverty rate requirements of this section using 1990 census data, and

''(B) which meets all failed population and poverty rate requirements of this section using 2000 census data.

''(2) EXPANSION TO CERTAIN AREAS WHICH DO NOT MEET POPULATION REQUIREMENTS.—

''(A) IN GENERAL.—At the request of 1 or more local governments and the State or States in which an area described in subparagraph (B) is located, the Secretary of Housing and Urban Development may expand a designated area to include such area.

''(B) AREA.—An area is described in this subparagraph if—

''(i) the area is adjacent to at least 1 other area designated as a renewal community,

''(ii) the area has a population less than the population required under subsection (c)(2)(C), and

''(a) the area meets the requirements of subparagraphs (A) and (B) of subsection (c)(2) and subparagraph (A) of subsection (c)(3), or (b) the area contains a population of less than 100 people.

''(3) APPLICABILITY.—Any expansion of a renewal community under this section shall take effect as provided in subsection (b).''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect as if included in the amendments made by section 101 of the Community Renewal Tax Relief Act of 2000.

(b) CHANGE OF TOP INCOME RATE.—

(1) IN GENERAL.—The table in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001), as amended by section 102 of this Act, is amended by striking ''35.0%'' in the last column and inserting ''37.6%''.

(2) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

(3) APPLICATION OF EGTRRA.—The amendment made by this subsection shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

AMENDMENT NO. 654

(Purpose: To amend title XIX of the Social Security Act to temporarily increase the floor for treatment as an extremely low DSH State and to provide for an allotment adjustment for certain States)

At the end of subtitle F of title III, add the following:

SEC. ___. MEDICAID DSH ALLOTMENTS.

(a) TEMPORARY INCREASE IN FLOOR FOR TREATMENT AS AN EXTREMELY LOW DSH STATE UNDER THE MEDICAID PROGRAM.—

(1) IN GENERAL.—Section 1923(f)(5) of the Social Security Act (42 U.S.C. 1396r–4(f)(5)) is amended—

(A) by striking ''In the case of'' and inserting the following:

''(A) IN GENERAL.—In the case of''; and

(B) by adding at the end the following:

''(B) TEMPORARY INCREASE IN FLOOR FOR FISCAL YEAR 2004.—During the period that begins on October 1, 2003, and ends on September 30, 2004, subparagraph (A) shall be applied—

''(i) by substituting 'fiscal year 2002' for 'fiscal year 1999';

''(iii) by substituting 'Centers for Medicare & Medicaid Services' for 'Health Care Financing Administration';

''(ii) by substituting 'August 31, 2003' for 'August 31, 2000';

''(iv) by substituting '3 percent' for '1 percent' each place it appears;

''(v) by substituting 'fiscal year 2004' for 'fiscal year 2001'; and

''(vi) without regard to the second sentence.''.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) take effect on October 1, 2003, and apply to DSH allotments under title XIX of the Social Security Act only with respect to fiscal year 2004.

(b) ALLOTMENT ADJUSTMENT FOR CERTAIN STATES.—

(1) IN GENERAL.—Section 1923(f) of the Social Security Act (42 U.S.C. 1396r–4(f)) is amended—

(A) by redesignating paragraph (6) as paragraph (7); and

(B) by inserting after paragraph (5) the following:

''(6) ALLOTMENT ADJUSTMENT FOR CERTAIN STATES.—

''(A) TENNESSEE.—Only with respect to fiscal year 2004, if the statewide waiver approved under section 1115 for the State of Tennessee with respect to the requirements of this title (as in effect on the date of enactment of this paragraph) is revoked or terminated, the Secretary shall—

''(i) permit the State of Tennessee to submit an amendment to its State plan that would describe the methodology to be used by the State (after the effective date of such revocation or termination) to identify and make payments to disproportionate share hospitals, including children's hospitals and institutions for mental diseases or other mental health facilities (other than State-owned institutions or facilities), on the basis of the proportion of patients served by such hospitals that are low-income patients with special needs; and

''(ii) provide for purposes of this subsection for computation of an appropriate DSH allotment for the State for fiscal year 2004 that provides for the maximum amount (permitted consistent with paragraph (3)(B)(ii)) that does not result in greater expenditures under this title than would have been made if such waiver had not been revoked or terminated.

''(B) HAWAII.—The Secretary shall compute a DSH allotment for the State of Hawaii for each of fiscal year 2004 in the same manner as DSH allotments are determined with respect to those States to which paragraph (5) applies (but without regard to the requirement under such paragraph that total expenditures under the State plan for disproportionate share hospital adjustments for any fiscal year exceeds 0).''.

(2) TREATMENT OF INSTITUTIONS FOR MENTAL DISEASES.—Section 1923(h)(1) of the Social Security Act (42 U.S.C. 1396r–4(h)(1)) is amended—

(A) in paragraph (1), in the matter preceding subparagraph (A), by striking ''Payment'' and inserting ''Subject to paragraph (3), payment''; and

(B) by adding at the end the following:

''(3) SPECIAL RULE.—The limitation of paragraph (1) shall not apply in the case of Tennessee with respect to fiscal year 2004 in the case of a revocation or termination of its statewide waiver described in subsection (f)(6)(A).''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if enacted on October 1, 2002.

AMENDMENT NO. 657

(Purpose: To exempt certain sightseeing flights from taxes on air transportation.)

At the end of subtitle C of title V, insert the following:

SEC. ___. CERTAIN SIGHTSEEING FLIGHTS EXEMPT FROM TAXES ON AIR TRANSPORTATION.

(a) IN GENERAL.—Section 4281 (relating to small aircraft on nonestablished lines) is amended by adding at the end the following new sentence: ''For purposes of this section, an aircraft shall not be considered as operated on an established line if such aircraft is operated on a flight the sole purpose of which is sightseeing.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to transportation beginning on or after the date of the enactment of this Act, but shall not apply to any amount paid before such date.

AMENDMENT NO. 659, AS MODIFIED

(Purpose: To modify the involuntary conversion rules for businesses affected by the September 11, 2001, terrorist attacks)

At the end of subtitle C of title V, insert the following:

SEC. ___. MODIFICATION OF INVOLUNTARY CONVERSION RULES FOR BUSINESSES AFFECTED BY THE SEPTEMBER 11TH TERRORIST ATTACKS.

(a) IN GENERAL.—Subsection (g) of section 1400L is amended to read as follows:

''(g) MODIFICATION OF RULES APPLICABLE TO NONRECOGNITION OF GAIN.—In the case of property which is compulsorily or involuntarily converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone—

''(1) which was held by a corporation which is a member of an affiliated group filing a consolidated return, such corporation shall be treated as satisfying the purchase requirement of section 1033(a)(2) with respect to such property to the extent such requirement is satisfied by another member of the group, and

''(2) notwithstanding subsections (g) and (h) of section 1033, clause (i) of section 1033(a)(2)(B) shall be applied by substituting '5 years' for '2 years' with respect to property which is compulsorily involuntarily converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone but only if substantially all of the use of the replacement property is in the City of New York, New York.''.

(b) EFFECTIVE DATE.—The amendments made by this Act shall apply to involuntary conversions occurring on or after September 11, 2001.

On page 19, line 13, strike ''2007'' and insert ''2008''.

AMENDMENT NO. 661

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

AMENDMENT NO. 665

(Purpose: To amend the Internal Revenue Code of 1986 to restore the deduction for the travel expenses of a taxpayer's spouse who accompanies the taxpayer on business travel)

At the end of subtitle C of title V, add the following:

SEC.___. RESTORATION OF DEDUCTION FOR TRAVEL EXPENSES OF SPOUSE, ETC. ACCOMPANYING TAXPAYER ON BUSINESS TRAVEL.

(a) IN GENERAL.—Subsection (m) of section 274 (relating to additional limitations on travel expenses) is amended by striking paragraph (3).(A)

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act, and on or before December 31, 2004.

AMENDMENT NO. 673

(Purpose: To amend the Internal Revenue Code of 1986 to provide for the treatment of certain imported recycled halons)

At the appropriate place insert the following:

SECTION 1. TREATMENT OF CERTAIN IMPORTED RECYCLED HALONS.

(a) IN GENERAL.—Section 1803(c) of the Small Business Job Protection Act of 1986 (Public Law 104–188) is amended by striking ''1997'' and ''1998'' and inserting ''1994''.

(b) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendment made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefore is filed before the close of such period.

AMENDMENT NO. 680

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

Mr. GRASSLEY. Mr. President, I ask unanimous consent to add Senator MURKOWSKI as a cosponsor to amendment No. 594 on rural equity, and amendment number 596, the Collins amendment.

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

LIMITATION ON TAX DEDUCTIONS

Mr. SANTORUM. Mr. President, I rise today to engage the distinguished chairman of the Finance Committee in a colloquy regarding subtitle E, section 364, of the Jobs and Growth Tax Reconciliation Act of 2003, S. 1054.

This section would limit the deduction for charitable contributions of patents and similar properties. It is my understanding that this provision would include a limitation on tax deductions for donation of the following items: any patent, copyright, trademark, trade name, trade secret, know-how, software, or similar property, or applications or registrations of such property. The effective date of this limitation would apply to contributions made after May 7, 2003.

I have a specific concern about this provision.

I understand the intent behind this change is to eliminate abuses associated with deductions claimed under IRC 170(e)(1)(B). What has resulted, however, is the unintended consequence of capturing legitimate and pending contributions that were in the process of being formalized, but not enacted by the effective date.

Specifically, I am concerned about the impact of a pending transaction between two organizations in the Commonwealth of Pennsylvania. The process to formalize the referenced donation began in December 2002, with the targeted date of April 21, 2003, for a signed and completed transfer.

In an effort to clarify the impact of S. 1054 on this specific pending transaction, the involved organizations have

worked with your staff to provide adequate background and substantial documentation to verify the legitimacy of the concern.

I inquire of the chairman of the Finance Committee if he would comment on Section 364 of the bill, and my stated concern about a pending transaction?

Mr. GRASSLEY. Mr. President, I thank my colleague from Pennsylvania for raising this issue. He is correct that my staff has been working with these organizations to obtain a fuller understanding of their transaction. We have learned that there is widespread abuse involving donations of patents and similar property. We made this provision effective May 7, 2003, so that abusive donations could not be rushed to completion if a later effective date was chosen.

We will continue our discussion with these organizations, and will objectively consider their concerns and whether further clarifications are appropriate as the bill moves to conference.

Mr. SANTORUM. Thank you, Chairman GRASSLEY, for your willingness to work with me on this issue as the Jobs and Growth Tax Reconciliation Act of 2003 moves forward.

LIMITATION PROVISION

Mr. LEAHY. Mr. President, I see the distinguished majority leader, Senator FRIST, and wonder if I could ask him to address a concern I and other Senators have about a provision entitled ''Limitation'' which is located on page 62, line 13 of the bill.

Mr. FRIST. I would be happy to.

Mr. LEAHY. This provision says that no funds made available to carry out this act may be used to provide assistance to any group or organization that does not have a policy ''explicitly opposing'' prostitution and sex trafficking. On its face, this provision appears harmless. No one here supports prostitution or sex trafficking. In fact, we abhor these practices, which are demeaning and degrading towards women, and also extremely dangerous. The rate of HIV infection among prostitutes in Cambodia is estimated to be 40 percent. India is facing a similar catastrophe. It is no secret that commercial sex workers and sex trafficking are a major cause of HIV transmission in Asia and in parts of Africa. We all want to see these practices end.

But the reality is that they exist. Prostitution and sex trafficking are rampant, not only in parts of Africa and Asia, but in Eastern Europe and the former Soviet republics, the Caribbean, and parts of Latin America. Any effective strategy to combat HIV/AIDS must include programs to reduce its spread through prostitution and sex trafficking. As difficult as it is, this reality cannot be ignored.

There are organizations who work directly with commercial sex workers and women who have been the victims of trafficking, to educate them about HIV/AIDS, to counsel them to get tested, to help them escape if they are being held against their will, and to provide them with condoms to protect themselves from infection. This work is not easy. It can also be dangerous. It requires a relationship of trust between the organizations and the women who need protection.

I am concerned that this provision, which requires such organizations to explicitly oppose prostitution and sex trafficking, could impede their effectiveness. In fact, some or many of these organizations may refuse to condemn the behavior of the women who trust they need in order to convince them to protect themselves against HIV. I would ask the Majority Leader how we can avoid that result, because we need to be able to support these organizations.

Mr. FRIST. I thank the Senator from Vermont for his question. I agree that these organizations who work with prostitutes and women who are the victims of trafficking play an important role in preventing the spread of HIV/AIDS. We need to support these organizations, because HIV transmission through this type of behavior is widespread in many parts of the world. At the same time, we do not want to condone, either directly or indirectly, prostitution or sex trafficking. Both are abhorrent.

I believe the answer is to include a statement in the contract or grant agreement between the U.S. Government and such organization that the organization is opposed to the practices of prostitution and sex trafficking because of the psychological and physical risks they pose for women. Such a statement, as part of the contract or grant agreement, would satisfy the intent of this provision.

Mr. LEAHY. I thank the majority leader. I think that is important, because we do not want to impose requirements which have the unintended result of impeding the ability of these organizations to do their work, or interfering with our ability to support them.

SECTION 333

Mr. SHELBY. Mr. President, I would like to take this opportunity to ask the Chairman of the Finance Committee about the Committee's intent with respect to Section 333, the section entitled ''Denial of Deduction for Certain Fines, Penalties, and Other Amounts.'' As currently drafted, Section 333 eliminates tax deductions for amounts paid or incurred at the direction of a governmental entity in relation to the violation of any law or the investigation or inquiry into the potential violation of any law.

Although I appreciate the Chairman's intent, I am concerned that this provision is drafted too broadly and applies to fees and compliance expenses that are mandated by regulators and that depository institutions must pay. For example, banks and thrifts are subject to routine, as well as special, examinations as part of supervisory reviews by State regulators, the FDIC, the Office of Comptroller of the Currency, the Federal Reserve Board and the Office of Thrift Supervision. The purpose of these supervisory examinations is to ensure that depository institutions are operating in a safe and sound manner and in full compliance with regulations. Institutions are then required to correct any deficiencies.

Currently, Section 333 could be interpreted to eliminate the deductibility of these fees because they relate to examinations, which are, to some extent, inquiries into potential violations. Also, this Section could be interpreted to preclude tax deductions for remedial measures undertaken pursuant to a regulator's order, or to address concerns raised in an examination. As a result, we could be in a situation where the regulators are requiring audits or imposing other compliance-related costs, but the companies are prohibited from taking deductions for the required payments.

Mr. GRASSLEY. I appreciate the concern of the Senator from Alabama with respect to Section 333. It was not the Committee's intent to prohibit deductions for amounts paid by companies as a condition to their operation in a regulated industry.

Mr. SARBANES. Mr. President, I too am concerned that the language of Section 333 could have unintended consequences. It was my understanding that Section 333 was intended to exclude certain payments.

Mr. GRASSLEY. The Senator from Maryland is correct. The Committee addressed this issue in its publication entitled: ''Technical Explanation of Provisions Approved by the Committee on May 8, 2003.'' Footnote 164 of this publication states:

> The bill does not affect amounts paid or incurred in performing routine audits or reviews such as annual audits that are required of all organizations or individuals in a similar business sector, or profession, as a requirement for being allowed to conduct business. However, if the government or regulator raised an issue of compliance and a payment is required in settlement of such issue, the bill would affect that payment.

Mr. SHELBY. I would ask that the Chairman clarify the text of Section 333 in order to specifically exclude such payments.

Mr. GRASSLEY. It is my intention to amend and clarify Section 333 in the conference report in order to reflect the Senators' comments and to carve-out certain fees and expenses paid by companies operating in highly-regulated industries.

Mr. SHELBY. In addition we have received letters from Chairman Greenspan of the Federal Reserve Board, Director Gilleran of the Office of Thrift Supervision and Chairman Powell of the FDIC expressing their concern regarding the breadth of Section 333. At this time, I would like to incorporate these letters into the RECORD. Mr. Chairman, thank you for your attention to an issue that is of great importance to many companies in a variety

of industries. I look forward to working with the Chairman to amend the text of Section 333 in the conference report.

SYNDICATION

Mr. SMITH. Mr. President, I want to bring to the Chairman's attention a matter that has arisen regarding the bonus depreciation provision that was enacted last year in the Job Creation and Worker Assistance Act of 2002. When the House developed this provision, it wanted to ensure that the provision would stimulate the production of new, as opposed to ''used'', equipment and other products. Thus, the additional depreciation deduction was restricted to those taxpayers who first ''used'' the product. Inadvertently, the ''original use'' requirement of this provision excluded many of the transactions in heavy equipment that the provision was intended to stimulate. Specifically, the provision inadvertently excluded multi-unit sales of equipment that were placed in service by manufacturers over a period of time and then sold to the ultimate purchaser of the equipment.

Mr. GRASSLEY. That is correct. The Senator from Oregon refers to a common form of financing transportation and other equipment that involves the production of numerous units, all subject to a common lease. We refer to this form of financing as ''syndication''.

Mr. SMITH. I have language that would correct this oversight in the original 2002 Act. My language would ensure that sales of equipment which involve numerous units of the same good, subject to the same lease, would not inadvertently be excluded from the bonus depreciation benefits of the 2002 Act, simply because the manufacturer was placing the goods into service as they were being manufactured, prior to his ultimate sale of the goods, subject to the master lease, to the ultimate purchaser. My language would ensure that no abuse of the bonus depreciation could occur and that the final sale of the products occurs within a short period of time. I would ask the Chairman to reassure the many heavy manufacturers of the United States and the purchasers of new equipment that this oversight in the 2002 Act will be rectified when the House and Senate meet in conference to iron out the differences in our respective tax legislation.

Mr. GRASSLEY. I can assure the Senator from Oregon that I support the effort to clarify this situation in conference and ensure that the 2002 bonus depreciation provision is available to purchasers of equipment pursuant to this method of financing multi-unit sales of heavy equipment. I thank the Senator for bringing this inadvertent error in the original 2002 Act to my attention.

Mr. SMITH. I thank the Senator. I propose that the conference adopt language to clarify this unfortunate oversight.

Mr. GRASSLEY. I appreciate the Senator from Oregon providing me with this information. This is a serious oversight in the original language and I will work closely with the Senator to ensure that this is corrected in conference with the House.

Mr. SMITH. I sincerely appreciate the Chairman's support and the good work he is doing as Chairman of the Senate Finance Committee.

INCOME FORECAST METHOD

Mr. BREAUX. Mr. President, I would like to engage in a brief colloquy with the distinguished chairman and ranking member of the Finance Committee, Senator GRASSLEY and Senator BAUCUS, regarding a provision in the bill that provides needed clarification and helps to insure an accurate reflection of taxpayers' income.

The provision I refer to resolves certain uncertainties that have arisen recently regarding the proper application of the income forecast method, which is the predominant cost recovery method for films, videotapes, and sound recordings. The provision merely reinforces the continued efficacy of existing case law and longstanding industry practice. For example, the provision clarifies that, for purposes of the income forecast method, the anticipated costs of participations and residuals may be included in a property's cost basis at the beginning of the property's depreciable life. This was the holding of the Ninth Circuit in Transamerica Corporation v. U.S. (1993). The provision also clarifies that the Tax Court's holding in Associated Patentees v. Comm., 4 TC 979 (1945), remains valid law. Thus, taxpayers may elect to deduct participations and residuals as they are paid. Finally, the provision clarifies that the income forecast formula is calculated using gross income, without reduction for distribution costs.

I would like to confirm my understanding with Senator GRASSLEY and Senator BAUCUS that by providing these clarifications and eliminating uncertainty the provision was intended to put to rest needless and costly disputes.

Mr. GRASSLEY. I am happy to confirm the understanding of the distinguished Senator from Louisiana. The provision was adopted to provide needed clarifications in order to eliminate the uncertainties that have arisen regarding the proper application of the income forecast method. I believe the disputes that have arisen regarding the mechanics of the income forecast formula are extremely unproductive and an inefficient use of both taxpayer and limited tax administration resources. By adopting these clarifications, I believe the committee intended to end any disputes and prevent any further waste of both taxpayer and Government resources in resolving these disputes. Any existing disputes should be resolved expeditiously in a manner consistent with the clarifications included in the bill.

Mr. BAUCUS. I agree with the distinguished chairman of the Finance Committee, Senator GRASSLEY. The disputes resulting from any uncertainty regarding the proper application of the income forecast method are extremely unproductive and wasteful. To avoid further waste, resolution of any disputes must be resolved in a manner consistent with the clarifications contained in the bill.

Mr. BREAUX. I thank both of my distinguished colleagues for this important clarification. I hope this puts to rest any uncertainty and wasteful disputes regarding the proper application of the income forecast method.

DIVIDENDS

Ms. COLLINS. I would like to engage the distinguished chairmen of the Senate Budget and Finance Committees in a colloquy on the Budget Committee chairman's dividends amendment. As my colleagues are aware, no provision of the economic growth package is more important to me than my amendment providing $20 billion in short-term fiscal relief to States and localities. If we are to kick-start our economy through Federal tax relief, we must help our States avoid raising taxes and slashing spending. And in the process of passing this bill, the last thing we can afford is to exacerbate the States' fiscal woes.

I am therefore concerned that the language of the Budget Committee chairman's dividends amendment does not adequately protect States from revenue loss. As you know, I cannot vote for a dividends amendment that would lessen the benefits of my fiscal relief provision without an assurance that it would be fixed in conference. I therefore seek the assurances of the distinguished Budget and Finance Committee chairmen that they will do all they can in conference to protect States from revenue loss associated with any dividends provisions in the final bill.

Mr. NELSON of Nebraska. I, too, believe that there is no more important component of this bill than its fiscal relief provisions, and I have serious reservations over any dividends language that would further hurt the States that we are trying to help. I join my colleague from Maine in asking my colleagues, the distinguished chairmen of the Senate Budget and Finance Committees, for assurances that they will do all they can in conference to prevent States from losing revenue as a result of any dividends language.

Mr. NICKLES. I thank the distinguished Senators from Maine and Nebraska for raising this issue again. They have carried the torch for the States throughout the debates on the budget and an economic growth package.

I am pleased to provide the assurances that my colleagues seek. The intent behind my amendment is not to add to the fiscal plight of States, and I will do all I can to ensure that any dividends language that emerges from conference does not cause States to lose tax revenues.

Mr. GRASSLEY. I would echo the comments of my colleague from Oklahoma. I, too, will do all that I can in conference to ensure that States revenues are not reduced by any dividends provisions that are included in the final product.

Ms. COLLINS. I thank my distinguished colleagues, both for their assurances and for their leadership in putting together a growth package that can stimulate the economy and create new jobs.

Mr. NELSON of Nebraska. I, too, thank my colleagues for their assurances.

COLLOQUY BETWEEN SENATOR ENSIGN AND CHAIRMAN GRASSLEY ON THE DEPRECIATION TREATMENT OF HOSPITALITY BUSINESS

Mr. ENSIGN. Mr. President, I rise to engage in a colloquy with the distinguished Senator from Iowa, the Chairman of the Finance Committee.

First of all, I want to commend my distinguished colleague for his strong leadership in crafting the tax cut package before us today that is so critical to creating new jobs and building economic growth for the citizens of my State of Nevada and across the country.

I would say to my distinguished colleague that I am very concerned about recent efforts by the IRS to carve up integrated hotels, restaurants, and casino businesses into different pieces subject to different depreciation treatment.

Equipment, furniture, and similar personal property used in the hospitality business, and in the retail industry more generally, have long been depreciable over a 5-year period. However, the IRS is now asserting on audit that the tables, chairs, carpeting, and other furniture and equipment used in the gaming portion of such hospitality facilities must be depreciated over a longer 7-year period used for miniature golf courses and bowling alleys, while the same table, chair, and carpeting 10 feet away in the hotel portion of the facility continue to be depreciated over 5 years.

The IRS has promulgated no regulation on this point and is unable to cite any applicable statutory or judicial authority for its assertion on audit.

In the face of this uncertainty, I would ask the chairman of the Finance Committee to clarify whether these efforts by the IRS are consistent with the congressional intent of the depreciation provisions of the Internal Revenue Code.

Mr. GRASSLEY. If the Senator will yield, I would say to my distinguished colleague from Nevada that I share his concerns and that it may not properly reflect congressional intent for the IRS to separate an integrated hotel, restaurant, and casino business into different pieces subject to different depreciation treatment. Equipment, furniture, and similar personal property used in a such a business should be depreciable in accordance with the current law treatment of the hotel industry and the retail industry generally. I will be happy to work with the Senator to provide appropriate clarification for depreciation of assets used for gaming in the hospitality industry.

AMENDMENT NO. 545

Mr. KENNEDY. Mr. President, this Republican tax bill provides lavish support for the wealthy, but it gives only the back of its hand to America's senior citizens. This amendment changes those backward priorities. It eliminates the dividend tax cut and the cut in the top rate bracket, and uses the funds to pay for a Medicare prescription drug benefit for the elderly.

The two tax cuts my amendment eliminates will primarily benefit the rich. Prescription drug coverage under Medicare will benefit 40 million senior citizens and the disabled individuals, who are overwhelmingly of modest means and typically have high medical costs. These men and women have stood by our country through war and depression. Giving them the medical care they deserve is a higher priority than giving the wealthy even greater wealth. When Republicans side with the wealthy, they call it free enterprise. When senior citizens ask for fair treatment, Republicans call it class warfare.

Medicare is not class warfare. It's a solemn promise between government and the American people. It says, ''Play by the rules, contribute to the system during your working years, and you will have health security in your retirement years.'' Because of Medicare, the elderly have long had insurance for their hospital bills and their doctors bills. But the promise of health security at the core of Medicare is broken every day because Medicare does not cover the soaring price of prescription drugs.

Too many elderly citizens must choose between food on the table and the medicine they need. Too many elderly Americans are taking only half the drugs their doctor prescribes—or none at all—because they can't afford them. Today, the average senior citizen has an income of $14,000—and prescription drug bills of $1,500, and many senior citizens pay far more than that.

Every day, senior citizens face the harsh fact that prescription drug costs are going through the roof, while their incomes are stagnating. Over the last four years, prescription drug costs have gone up by 16 percent a year, while the Social Security benefits on which senior citizens depend have gone up only 2.3 percent a year. Hard-pressed employers are cutting back on retiree prescription drug coverage—and some retirees are losing their coverage altogether, because their former employers are now bankrupt.

While millionaires receive huge tax breaks they do not need under the Republican tax plan, the Republican budget shortchanges senior citizens who desperately need prescription drug coverage. Prescription drug spending for senior citizens will total $1.8 trillion over the next decade but the Republican budget allocates only $400 billion for Medicare.

Even worse, the Republican budget's $400 billion for Medicare isn't even reserved for prescription drug coverage. The President wants to spend tens of billions of this amount on so-called reforms to force senior citizens to give up Medicare and join HMOs or other private insurance plans. Relief for hard-pressed doctors, hospital, home health agencies, and nursing homes is also supposed to come out of this minimal allocation.

It is important for every Senator to understand who it is that Medicare protects—and who it is that the Bush administration would force into an HMO or other private insurance plan. The typical Medicare enrollee is a 75-year-old widow, living alone. Her total income is just $11,300 a year. She has at least one chronic condition and suffers from arthritis. In her younger years, she and her husband worked hard. They raised a family. They stood by this country through economic hard times, the Second World War, the Korean war, and the cold war. They sacrificed to protect and build a better country—not just for their children but for all of us.

This is the woman Republicans want to force to give up her doctor and join an HMO. This is the woman they say should give up her freedom to go to the physician and hospital of her choice, so that HMOs can profit. This is the woman who would be victimized if Congress allows the GOP plan for Medicare to become law.

Senior citizens deserve prescription drug coverage—no ifs, ands, or buts. Republicans say Medicare is a failed program—but millions of senior citizens know better. Republicans believe that the private sector does a better job of controlling costs than Medicare—but studies show the reserve is true. Republicans say senior citizens should be forced to give up the doctors they trust, so that HMOs and private insurance plans can enjoy higher profits—but the American people don't agree; and the U.S. Senate shouldn't agree either.

Senior citizens are faced with a deadly double whammy. Prescription drug costs are out of control, and private insurance coverage is drying up. Last year, prescription drug costs soared by a whopping 14 percent. They have shot up at double-digit rates in each of the last five years. Whether we are talking about employee retirement plans, Medigap coverage, or Medicare HMOs, prescription drug coverage is skyrocketing in cost, and becoming more and more out of reach by the elderly.

It used to be that the only seniors with reliable, adequate, affordable coverage were the very poor on Medicaid. Today, because of the state fiscal crisis created by the recession and the let-them-eat-cake attitude of the Republican party, even the poorest of the poor can no longer count on protection.

States are now facing the largest budget deficits in half a century—an estimated $26 billion this year, and $70 billion next year.

The result is that States are cutting back on prescription drug coverage for those least able to pay. Thirty-nine States expect to cut their Medicaid drug benefit this year. In Massachusetts, 80,000 senior citizens were about to lose their prescription drug coverage under the State's Senior Advantage program on July 1. Emergency action by the State legislature saved the program, but only after making substantial reductions in coverage.

Tax cuts in this Republican bill will make the States' fiscal situation even worse. Because State taxes are often pegged to the Federal system, the dividend tax cut alone will cost States $11 billion over the next 10 years.

Ten million of the elderly enjoy high quality, affordable retirement coverage through a former employer. But retiree coverage is plummeting too. In just 8 years—from 1994 to 2002—the number of firms offering retiree coverage fell by a massive 40 percent.

Medicare HMOs are also drastically cutting back. Since 1999, more than 2 million Medicare beneficiaries have been dropped by their Medicare HMOs. Of the HMOs that remain in the program, more than 70 percent limit drug coverage to a meager $500 a year or less, and more than half only pay for generic drugs. Medigap plans that offer drug coverage are priced out of reach for most seniors—and even the coverage offered is severely limited.

Thirteen million Medicare beneficiaries have no prescription drug coverage at all. Only half of all senior citizens have coverage throughout the year.

Previous Republican proposals have shown what happens to senior citizens when funds are inadequate. High deductibles, gaps in coverage, demeaning asset tests, and incentives for employers to drop retiree coverage are just some of the unacceptable features of programs that give crumbs to the elderly and plums to the wealthy.

This amendment strikes two provisions of the tax bill that primarily benefit the rich, in order to provide funds to give the elderly the prescription drug benefit they deserve. The first provision the amendment strikes speeds up the reduction of the top tax rate from 38.6 percent to 36 percent. Virtually all the benefits of this Republican tax rate reduction go to people earning more than $310,000 a year. People earning a million dollars a year or more will receive a tax cut of $60,000. I ask Members of the Senate: Do persons with a million dollars in income a year really need another $60,000 in tax cuts? Surely, our values and priorities have not become so warped that we think it is more important for millionaires to be richer than it is for senior citizens to have life-saving prescription drugs.

The second provision the amendment strikes is the dividend tax cut. That cut does virtually nothing for senior citizens and everything for the wealthy. The provision in the bill is only a partial elimination of the tax on dividends, but its intention is clearly to set the stage for full repeal of the tax. The full repeal would certainly be welcomed by millionaires. They will get an average tax break of $52,000. But a low-income elderly person with $8,600 in income will get a tax cut averaging $1. And the average elderly person with an income of $14,000 will get a tax cut of $26. Do the Members of the Senate really believe this is the right priority for our country?

The funds saved from this amendment—$115 billion over 10 years—will be used to provide a better prescription drug benefit than will be possible if this tax bill passes in its current form. Passing this amendment will be a clear statement by the Senate that mending the broken promise of Medicare is more important than lavishing unneeded and undeserved new tax breaks on millionaires.

Mrs. MURRAY. Mr. President, I rise in strong support of the amendment offered by Senator KENNEDY to extend unemployment benefits for millions of Americans. These fellow citizens are out of work through no fault of their own. They need our help, and by extending their benefits, we will also help stimulate our struggling economy.

In my own State of Washington, we have lost over 80,000 jobs since 9/11. The Kennedy amendment would help some 102,000 workers in my state who will exhaust their benefits over the next few months. It will help nearly 4 million workers nationwide.

These are people who want to work and who are looking for jobs but can't find them in our slow economy. It is not easy to find a job in this economy. Just listen to these statistics. The average number of jobs for which unemployed adults have applied is 29. The average for those who have been unemployed for 9 months or more is 39, and unemployed adults over 44 years old apply for an average of 42 jobs before they find work.

Despite these efforts, these workers are now being threatened with mortgage foreclosures and repossession of their vehicles. One in four unemployed workers has had to move to other housing or move in with friends or relatives.

They are facing problems in health care. For instance, one-third of the unemployed were once covered by health insurance, but now they have lost these benefits because they have lost their jobs.

They are spending less on food, medical care and clothing for their children.

I know these workers will help provide a real and immediate stimulus for our economy because they will buy groceries, pay their utility bills, make house payments and pay for other essential needs for their day to day existence. Nearly 80 percent of these workers say that unemployment benefits have been very important in helping their families meet their basic needs.

In fact, a recent study by Economy.com found that the single most effective stimulus measure would be an extension of unemployment compensation benefits. The study also found that each dollar dedicated to extending the program would boost the economy by $1.73, while each dollar connected to reducing the taxation of dividends would boost the economy by just nine cents.

So I urge my colleagues to extend unemployment benefits for these workers. They need and deserve our help, and helping them will directly help our economy.

AMENDMENT NO. 557

Ms. CANTWELL. Mr. President, I rise today in support of Senator SCHUMER's amendment to expand the higher education tax deduction. This amendment would make the higher education tax deduction permanent and increase the amount that taxpayers can claim for a deduction. The higher education tax deduction helps families afford a college education at a time when tuition increases are outpacing the cost of inflation. Families need help to be able to give their children the opportunities and support needed for a good solid education.

In our information-based economy, the value of a good education is the key to success. I know this from personal experience. When I left the House of Representatives, I went to work for a high technology company in Seattle, WA. I did not have any expertise or knowledge in this area, but because I had a solid education that gave me the foundation to learn on the job, I was able to learn quickly and thrive in my new environment. That is the value of a good education.

My experience is hardly unique. According to the Department of Labor, the typical worker will change jobs nine times during his or her career.

When workers change jobs, they will find that more and more employment opportunities require a college degree. Eight of the 10 fastest-growing occupations require at least a bachelor's degree. At the same time, jobs for people who have not attended college are quickly disappearing. Twenty-three of the 25 fastest-declining careers do not require a degree.

A college degree is no longer a luxury—it is an imperative.

There is a ''perfect storm'' brewing at colleges across this country that is making it increasingly difficult for families to afford a college education. First, endowment earnings are down, significantly reducing revenue for colleges and universities. Second, the economy has been sluggish for so long that corporate and individual charitable giving has been reduced across the country. Third, the sluggish economy has put State budgets across the country in crisis. All of these factors are contributing to the skyrocketing costs of college tuitions.

In Washington State, the legislature has significantly cut funding for higher education and that means tuition is going up. In just the last 2 years, tuition at 4-year universities and two-year colleges has increased by 12 percent each year. Over the past decade, tuition at the University of Washington has shot up an astounding 103 percent.

This trend is not limited to my State.

The vast majority of American families rely in part on federal aid to help finance their children's college education. A recent General Accounting Office report illustrated this point. It found that more than 75 percent of all undergraduate students receive some form of federal financial assistance. In addition, more than 40 percent of all undergraduate students benefit from a higher education tax credit.

With the cost of tuition on the rise, we can expect that even more families will require aid to send their kids to college.

We cannot let the opportunities of higher education slip out of reach. Expanding access to federal financial aid is a critical long-term investment in our workforce, and in our economy.

AMENDMENT NO. 575

Mr. SPECTER. I voted to sustain the point of order against the Kyl amendment because there needs to be more analysis as to its ultimate effects. The amendment is very complicated. I tried to determine the effects of the legislation in the absence of hearings, and could only begin to scratch the surface due to the many conflicting representations from various parties. We have not had the necessary foundation established as to the effects of this amendment.

There are many facts that should be developed before we embark on this course of action. Either the Finance Committee or the Judiciary Committee should hear from the parties involved, including the States, and develop a factual record as to what occurred during the course of the litigation. Senators should have access to the record on these issues through the hearing process. After the facts have been developed, then a determination should be made on the issue. It is not a timely decision absent the development of such a record.

I am prepared to participate in hearings, find the facts and make an informed judgment on whether sound public policy would be served by a mechanism, through the tax code or otherwise, to limit compensation for anyone in the marketplace.

AMENDMENT NO. 575

Mr. BIDEN. Mr. President, I rise to speak in opposition to the amendment of the Senator from Arizona. This amendment would retroactively breach the contracts entered into by States and their attorneys, and the settlement agreement reached in the tobacco-related Medicaid expenses litigation.

Let me remind my colleagues of the context in which this historic tobacco settlement came about. There were over 40 years of law suits brought against tobacco companies, occurring over three different time periods.

When these attorneys brought this litigation, cases against tobacco companies would go on for years and years, almost always with little or no favorable results. In order to catch the deception and subterfuge of these companies, these cases needed staying power. The attorneys bringing these cases needed the ability to withstand significant losses while they uncovered the facts needed to make the damning case that the tobacco companies had been hiding from the public.

The plaintiffs' attorneys undertook this riskiest of cases against daunting odds, with a high likelihood of never getting paid at all. In the first phase of tobacco litigation, no one was able to muster the resources needed to bring these cases. Then a group of attorneys in the public interest pooled over $100 million of their own money in order to withstand the onslaught put up by tobacco companies bent on hiding the truth from the public.

The tobacco companies spent approximately $700 million a year in legal fees to their lawyers during this period. Thanks to their tenacity, their legal skill, and the righteousness of their cause, in the end the attorneys who brought this action prevailed. They secured a settlement that returned $246 billion to the States. That is ''billion'' with a ''b.'' To put it in perspective, that is almost as large as our entire budget deficit.

Let me say that again the tobacco settlements resulted in a huge windfall for the States and for the American people. I daresay that, in this day and age when State budgets are more squeezed than ever as a result of Federal cuts and unfunded mandates, if the States were offered this deal again, including the attorney's fees, they would take the deal in a heartbeat. In a heartbeat.

And the money collected by the States under this settlement is only the beginning. The settlement funds a new public education program to reduce youth tobacco use; it provides money every year for tobacco-related research; it dissolves the organizations that have historically served as the tobacco companies' propaganda machines; and it prohibits tobacco advertising aimed at children, such as the use of cartoon characters.

Supporters of this amendment would have you believe that its provisions somehow make the existing system fairer. Nothing could be further from the truth.

The American way is to reward those who take a risk and succeed. We grant patents that protect inventions for 17 years. We give copyright owners exclusive rights to their works for their entire life, plus another 70 years. More importantly, we don't punish people who come up with a great idea and turn it into a success. To the contrary we let them keep the fruits of their labor. But under the logic of this amendment, we would seek to penalize Bill Gates' $40 billion net worth, simply because he started with little more than a great idea and a vision to make it happen, took the risk, and prevailed. Just like these attorneys who brought the tobacco cases.

Supporters of this bill would also have you believe that it is only the trial lawyers and their supporters who oppose this amendment. Nothing could be further from the truth. Among others, consumer advocates people who look out for the little guy strongly oppose this amendment.

I also find it ironic that this amendment, which would abrogate a settlement entered into by the States, is being offered by some of the very same Senators who have made a career of advocating for States rights. This amendment, which would abrogate the contractual rights of private parties, is being offered by some of the very same Senators who have made a career of upholding the right to enter into contracts without undue regulation.

Just to be clear my colleagues refuse to interfere in the right of States to send defendants to execution without competent counsel, but insist on interfering to undo an agreement where the States reap $246 billion from the tobacco companies. Quite simply, they have got their priorities backwards.

I might also remind my colleagues of one other historical fact: Some of the Senators who are pushing this amendment today are the same folks who, just a few years ago, were doing everything in their power to defeat Federal attempts to force the tobacco companies to pay for the huge damages they have inflicted on the American people. Fortunately for the American people, and for the 50 States, they failed. Now, however, they are trying to undo this successful settlement after the fact.

Ladies and gentlemen, this is America. We make deals and we stick to them. We do not go back on our word. I urge you to oppose this amendment.

AMENDMENT NO. 594

Mr. BINGAMAN. Mr. President, I am pleased to cosponsor and support amendment No. 594 being offered by the chairman of the Finance Committee with respect to the Medicare Program.

The amendment provides approximately $25 billion over 10 years to reduce the inequity in the Medicare Program between urban and rural areas and between the States that has so penalized health care providers in New Mexico and includes language from four bills that I have either introduced this year or introduced last year.

First, I am pleased the Grassley amendment includes the language from S. 379, the Medicare Incentive Payment Program Improvement Act of 2003, which I introduced with Senator THOMAS and makes automatic the 10 percent bonus payment intended to physicians

in rural, medically underserved areas. Under current law, physicians must go through a cumbersome application process, if they even know they are eligible and can apply, and subject themselves to increased scrutiny for audits if they do apply. Consequently, few doctors are receiving the payment intended to provide physicians incentives to treat Medicare patients in medically underserved areas and to retain those doctors already providing services in those areas.

Second, the Grassley amendment includes language that significantly reduces the geographic inequities that are a part of the current Medicare physician payment system and disadvantages New Mexico physicians. This language is similar to that in S. 881, the Rural Equity Payment Index Reform, REPaIR, Act of 2003, which I introduced with Senator COCHRAN and is a companion bill to H.R. 33, introduced in the House of Representatives by Representative BEREUTER. Reducing the inequity in just the work component of the physician payment schedule will increase payments to New Mexico physicians by an estimated $3 million annually.

Third, this amendment includes language from legislation I introduced late last year entitled the Medicare Hospital Outpatient Department Fair Payment Act with Senator SNOWE to extend the hold harmless for rural hospitals in outpatient departments, and adds a 5 percent add-on payment for clinics and emergency room visits in rural hospitals.

And fourth, the amendment lifts the rural cap in the Medicare disproportionate share hospital, DSH, program, which comes from the Medicare Safety Net Hospital Improvement Act that I introduced last year with Senator ROBERTS. This provision will add an estimated $4 million annually to New Mexico rural hospitals.

In addition, I would like to applaud the chairman for including language from legislation, S. 816, introduced by Senator CONRAD that I was an original cosponsor of and entitled the Health Care access and Rural Equity Act. Among other things, the language eliminates the disparity in hospital payments caused by the differential paid to rural and small urban hospitals compared to large urban hospitals and significantly reduces the disparity caused by the wage index in the hospital payment formula. Although rather arcane provisions in the hospital payment formula, they result in significant disparities in payments and the changes will have an important impact on hospitals throughout New Mexico.

Before closing, I would like to express profound concern with respect to the offsets used by the amendment, which include the addition of copayments for clinical services and the impact the change in payments for outpatient department prescription drugs will have on oncology physicians. However, Chairman GRASSLEY has committed to work to address the need for a revision in payments to oncology doctors and we will work to change the language with respect to copayments for clinical laboratory services as this language moves forward.

Mr. NELSON of Florida. Mr. President, I would like to take this opportunity to explain my vote against the Grassley amendment during consideration of the tax bill.

Since joining the Senate in 2001, I have been an avid and consistent supporter of rural health care and Medicare providers.

It was a hard decision to vote against this amendment. However, I could not in good conscience, support an amendment that as an offset would increase out-of-pocket expense for our Nation's seniors.

Medicare beneficiaries are already coping with having to choose to buy their medicines or put food on the table. They are struggling to pay for their share of health care costs, and even increased health plan premiums. It is unconscionable to think that we would ask them to meet deductibles and make copayments on outpatient lab services—something they have not had to pay for in the past. At this point, no concrete analysis is available showing the impact this would have on seniors and their out-of-pocket costs.

At a time when we are growing increasingly concerned about how much seniors are having to spend to access the care they need, how can we ask them to pay more? We have not even delivered the promise of a comprehensive outpatient prescription drug benefit.

I was prepared to support Senator HARKIN's amendment—which he withdrew. That amendment, which included many of the provisions in the Grassley amendment, would have resulted in over $870 million to Florida's hospitals over the next 10 years. That amendment, however, eliminated the dividend tax cut beyond the initial $500—an offset I could support.

Last year, I was a cosponsor of the Beneficiary Access to Care and Medicare Equity Act of 2002. This bill, by Senator BAUCUS, included a myriad of provisions benefiting rural health care providers, and as a result, beneficiaries residing in rural areas.

Furthermore, earlier this year, during consideration of the budget debate, I supported an amendment by Senator HARKIN to help rural health care providers and hospitals receive a fair reimbursement for services under Medicare. That amendment reduced tax cuts to the wealthiest income brackets—an offset I could support.

I am committed to improving the state of health care in our rural communities and will continue looking for ways to do so, but not on the backs of our Nation's seniors.

AMENDMENT NO. 596

Mr. CRAIG. Mr. President, I regret that I was detained in my effort to return to the floor, from another appointment, to vote on the Collins amendment, No. 596. Had I been present, I would have voted in favor of the amendment. I have been speaking again this week with our Governor of Idaho about the current fiscal difficulties faced by State and local governments. In both his role as Governor of our State and as the incoming chairman of the National Governors Association, Governor Kempthorne has eloquently argued the case for Congress to work with the States to address this situation. I am pleased that the Senate today could come to bipartisan agreement in its approach to temporary fiscal relief.

AMENDMENT NO. 654

Mr. GRASSLEY. Mr. President. I commend my colleagues for their work on this important amendment, which injects much needed flexibility and funding for safety net hospitals that treat especially vulnerable populations. This amendment alleviates pressure on those hospitals and allows ''extremely low-DSH States'' to increase Medicaid DSH allotments to 3 percent in Fiscal Year 2004. Currently, Federal law restricts Medicaid DSH allotments to ''extremely low-DSH States'' to only 1 percent of Medicaid Program costs.

I thank Senators BINGAMAN and DOMENICI for their work and for their dogged commitment to the cause. I have supported low DSH improvement legislation in the past, and I am thankful for their leadership on this important issue this year.

Mr. BINGAMAN. Mr. President, I would like to thank the chairman and ranking member of the Finance Committee, Senators GRASSLEY and BAUCUS, for agreeing to accept the language in the amendment being offered by me and Senators ENZI, LINCOLN, SMITH, and NELSON of Nebraska, that would increase the Federal allotment to States for Medicaid disproportionate share hospital, or DSH, payments to what are called ''extremely low-DSH States'' from 1 percent of overall Medicaid spending in each State to 3 percent. The language comes from legislation, S. 204, that I introduced with Senators ENZI, LINCOLN, BAUCUS, SMITH HARKIN, DOMENICI, JOHNSON, NELSON of NEBRASKA, and DAYTON, and was cosponsored by Senators PRYOR, DORGAN, and DASCHLE, entitled the Medicaid Safety Net Improvement Act of 2003.

This amendment is important to the continued survival of many of our Nation's safety net hospitals that provide critical health care access to a number of our Nation's 41.2 million uninsured citizens, including 373,000 in New Mexico, through the Medicaid disproportionate share hospital, or DSH, program.

At a time of growing numbers of uninsured and increased financial strain on our Nations' safety net, we need to increase the ability of ''extremely low-DSH States' to address the problems facing their safety net and to reduce

the current inequity in funding among the States. In fact, many hospitals have resorted to cutting services or eliminating jobs to deal with the growing uncompensated care problem, and it threatens the health care safety net across this country.

At Memorial Medical Center in Las Cruces, NM, the hospital recently announced the elimination of its maternity and mental health care services due to the rapidly growing burden of uncompensated care. While the elimination of those services has been temporarily forestalled, the uncompensated care burden and bottom line deficits at that hospital remain and the personnel layoffs of over 100 staff members in that community has already occurred.

Indeed, the stories about the growing burden on hospital emergency rooms across the country are well known. This is completely and directly related to the economic recession facing our country and makes this amendment directly relevant to this legislation.

It is also why the amendment has the support of the American Association, the National Association of Public Hospitals and Health Systems, the National Association of Children's Hospitals, the Federation of American Hospitals, the Association of American Medical Colleges, and the Catholic Health Association of the United States. As they write, ''Today, safety net hospitals face a confluence of challenges—including increased uncompensated care as more Americans find themselves without health insurance—that put critical pressure on hospitals' ability to serve their entire communities.''

The 20 States that would benefit from this amendment include: Alaska, Arkansas, Delaware, Hawaii, Idaho, Iowa, Kansas, Maryland, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Wisconsin, and Wyoming. I would add that the legislation does not impact the Federal DSH allotments in other States but only seeks to give ''extremely low-DSH States'' the ability to respond to the growing burdens of uncompensated care in their States.

I would note that Hawaii and Tennessee have been included in their amendment because their respective States currently do not have DSH programs and are prohibited from making such payments. The amendment provides them that authority under certain circumstances.

I would like to once again thank Senator GRASSLEY and his staff members, Ted Totman, Colan Roskey, Jennifer Bell, and Leah Kegler, Senator BAUCUS and his staff members, Bill Dauster, Liz Fowler, Kate Kirchgraber, and Andrea Cohen, for their help in getting this amendment passed. In addition, this would have never come to fruition without the strong support by Senators ENZI, LINCOLN, SMITH, NELSON of Nebraska, and the other cosponsors of S. 204.

AMENDMENT NO. 666

Mr. SARBANES. Mr. President, I am in support of the Dorgan amendment to the reconciliation tax cut bill that would strike a provision in the bill to privatize tax collection by the Internal Revenue Service.

The proposal to privatize tax collection is misguided. Privatizing tax collection will hurt both Federal employees, by contracting out Federal jobs, and taxpayers, who could be subject to the abuse and mismanagement of a private company. Privatization of tax collection has already been tried by the IRS in a 1996 pilot project. The pilot project was such an extraordinary failure that a further 1997 pilot project was cancelled. The contractors who conducted the project did not protect the sensitive information of taxpayers, and the project ultimately did not save the Federal Government any money.

The proposal would allow private companies to engage in collection activities without providing adequate safeguards for taxpayers against abusive activities. It is my understanding that the Fair Debt Collections Practices Act, known as FDCPA, which provides the most important protections for consumers from abusive or unfair actions by debt collectors, would not fully apply to the activities of the private tax collectors. I am particularly concerned that a taxpayer's ability to recover certain damages from an abusive private tax collector may be severely limited under this proposal.

In addition, the privatization of tax collection is a major change to the way our Government works. To make such a change without holding any hearings on the matter, and without considering all aspects of the proposal, particularly the failed pilot project and whether or not the plan will actually save money, is irresponsible.

Ms. SNOWE. Mr. President, I rise to speak to the critical issue of State fiscal relief, which I believe adds tremendous value to this economic growth package. As I have discussed on numerous occasions, I believe that one of the best stimulants for the economy is providing assistance to our State and local governments, which is why I have fought for its inclusion in this package.

Since December, when I first identified elements that I believed would stimulate the economy, I insisted on a State and local fiscal relief component. Today, I am pleased that the Senate is taking action through this floor amendment to further refine both the agreement and language that Senator SMITH and I insisted must be included in the growth package as passed by the Senate Finance Committee.

The growth package that the Senate Finance Committee reported establishes a $20 billion trust fund in S. 1054, the Jobs and Growth Tax Relief Reconciliation Act of 2003, to provide critical, flexible relief for both State and local governments. Also, I would like to thank Chairman GRASSLEY for his willingness to work with me to identify appropriate offsets that ensured this proposal would not increase the net cost of the growth package, and also that the relief provided was not only flexible, but helped to meet the challenges faced by our communities.

By securing support to include a $20 billion fiscal relief trust fund in this package, I was able to ensure that States and localities received the help they need in balancing their fiscal year 2004 budgets. Fiscal relief to State and local governments is vitally important to the health and strength of our economy, which is why I fought to ensure that half of the $20 billion would be modeled after my bill, S. 201, and would be flexible and divided between State and local governments with 40 percent going to localities and 60 percent to States.

The floor amendment under consideration will provide $20 billion in State and local aid to be distributed in fiscal years 2003 and 2004. Ten billion dollars in flexible funding will be distributed between state and local governments, with the remaining $10 billion provided to States through a temporary increase to the Federal Medical Assistance Percentage, known as FMAP, to help alleviate the short-term spike in Medicaid costs.

Because I thought it was important, we are providing $4 billion in flexible funding to local governments. While I know a number of my colleagues have questioned the necessity and importance of providing relief to local governments, I strongly believe that local governments have all the more pivotal and increasing responsibilities at a time such as this, when they face decreasing revenues. And a large percentage of this increased burden has come from unfunded federal mandates related to education, homeland security and election reform. By including $10 billion in flexible funding, distributed between state and local governments, we will ensure that essential government functions are performed.

As we all know, our states and local communities are struggling. For the past 3 years, while the economy has been in a downturn, they have worked to meet the needs of residents, while 49 out of 50 States including Maine are also required to balance their budgets. In fact, the National Conference of State Legislatures reports that since fiscal year 2001, the combined budget shortfall in states has totaled more than $200 billion. And the outlook for fiscal year 2004 is not proving different. In January, 36 states reported budget gaps totaling more than $68 billion for this year alone. In Maine, the Governor and Legislature were forced to trim $1.2 billion from their biennial budget in the wake of a $150 million shortfall in fiscal year 2003.

Some argue State budget shortfalls result from overspending—yet a report issued by the National Governors Association shows that State spending from 1995 to 2001 increased 6.5 percent per year, a rate identical to spending from

1979 to 2003. Rather, it has been a drop in the stock market and the economy concurrent with increased costs associated with necessities like elementary and secondary education, programs under the Individuals with Disabilities Education Act, or IDEA, homeland security, and Medicaid—that has been the real culprit in burdening State and local budgets.

The National Conference of State Legislatures has reported a substantial decline in projected revenue, including drops in income, sales and property tax receipts, and user fees. Indeed, data suggest that over three-fourths of the combined State budget shortfall is due to declines in State revenues. Again, unlike the Federal Government, States don't have the option of running deficits—and after 3 years, most practical belt-tightening measures have already taken effect.

On the spending side, the NCSL estimates that unfunded mandates for the policy areas I just mentioned account for up to $82 billion in increased expenses. And States rightly argue that the vast majority of their increased cost burden comes from the growing unfunded Federal mandate for providing care to the elderly and disabled. Medicaid provides access to health care for almost 43 million of America's poor, elderly and disabled citizens and it alone is a program for which costs have grown by 11.1 percent from 1990 to 2000.

Because of benefit shortfalls in the Medicare program—such as a prescription drug benefit—Medicaid ends up providing more vital services. Indeed, while seniors and the disabled represent only one-quarter of the Medicaid population, they account for almost three-fourths of all Medicaid expenses. For example, in fiscal year 2002 States provided $6.9 billion in prescription drug assistance to Medicare beneficiaries, and another $5.5 billion in copayment and premium assistance.

That is why providing fiscal relief is so critical—because while there is no question this population needs to be served, there should also be no doubt we can't leave States to be the last line of defense in footing the bill.

It is the same with issues like education—and that is why I also support providing flexible funding for States and localities to use as they see fit. In California 20,000 teachers are at risk of being laid off, in New York local districts are raising property taxes to offset the expected 4 percent cut in State education aid, and in Nebraska officials have told 1,000 students that their academic scholarships to state universities are being canceled and 431 college positions were eliminated. We are making such great advances in education—and we all know that education is the key to our future economic success. By providing fiscal relief, the Federal Government is continuing its commitment.

Of course, the level of assistance that Congress is providing would not eliminate any State or local governments' total budget shortfall. But it will provide vitally important assistance and has the support of the largest State and local associations that represent our country's local elected representatives and leaders. Moreover, providing this State and local fiscal assistance within the tax package is entirely in keeping with our efforts to stimulate the economy.

According to a recent Wall Street Journal article, ''Analysts at Goldman Sachs figure State and local belt-tightening will shave as much as a half-point from the economy's growth so that overall fiscal policy will be no more than neutral next year.'' After all, dollars spent on education, health care and transportation have an economic value today and tomorrow.

In fact, the U.S. Chamber of Commerce reports that for every $1 billion invested in transportation, 47,500 new jobs are created. And let us not forget that State and local governments account for more than 15 million jobs nationwide. As we take steps to put more money into the hands of consumers, we must also make sure that those who are employed by a State or local government, either directly or through a government service contract, are able to stay employed.

Providing short-term fiscal relief to help State and local governments balance their budgets is vitally important to the long-term viability of our economy. I thank Chairman GRASSLEY for his leadership on this issue, and I urge my colleagues to support this amendment.

Mr. REED. Mr. President, today I joined 49 of my colleagues in voting to waive the Congressional Budget Act in support of Senator DORGAN's amendment to restore the pre-1993 tax treatment of Social Security benefits.

In 1993, I joined a majority of Congress in voting for the Omnibus Budget Reconciliation Act, which combined with subsequent similar laws, eliminated the deficits of the early 1990s and the debt that had grown exponentially under Presidents Reagan and Bush. Included in this 1993 Act was a provision that changed the way Social Security benefits for individuals making over $25,000 and couples with income over $32,000 were taxed. Like many of my colleagues at that time, I believed there were more appropriate ways to eliminate the deficit, but budget procedures prevented them from being considered, and, while there were partisan amendments offered at later dates to reverse this policy, they did so by increasing the deficit, so I and a majority of my colleagues opposed these proposals.

Today's vote was different. It was different because the President and the Republican majority have brought about a striking reversal in our Nation's fiscal policies. In the span of less than 3 years, the government's fiscal situation has deteriorated from budget surpluses to near record budget deficits. We have gone from concerns that we would retire our mountains of public debt too quickly to considering the President's request to increase our debt limit to its highest level ever. And, today we are voting on a tax bill that will only exacerbate both of these problems. Indeed, it appears that the majority is resolutely determined to cut dividend taxes for the most affluent in our society. These actions are being taken without regard for fiscal soundness and without any consideration of the impact and the burden decisions we make today place on future generations.

In this environment, Senator DORGAN's amendment to aid senior citizens rather than the wealthiest 1 percent of Americans, is the appropriate policy because at the very least if we are going to deficit spend, we should direct those resources to those individuals who have already contributed in so many ways to this great Nation.

It would be my hope that we can find a way to address 1993 OBRA in a manner that aids deserving seniors while protecting the long term solvency of Social Security and restoring some sense of discipline to the Federal budget process.

Mr. JOHNSON. Mr. President, I rise today to share my thoughts on the tax measure before us. Few issues touch more Americans than the economy. Now that hostilities with Iraq are winding down, we need to focus on our own economy. Economic discussions tend to take on an unfortunate partisan tone, and I know that this bitterness is on display on the floor of the Senate today as we debate the President's latest tax cut proposal.

Regrettably, we often forget that we share a common goal: Every single member on this committee wants America to succeed. We all want Americans to find good jobs, to have access to affordable health care, to educate our children, and to retire with dignity and comfort. While we have sharp divisions on how to achieve that common goal, I hope we can remember at the end of the day that all of our intentions are good.

Despite all of our best intentions, we are facing nothing short of a budget crisis in America. CBO has revised its deficit projections upward yet again to reflect an end-of-year deficit of $300 billion. Federal revenues are on track to fall to the lowest level since 1959, even without more tax cuts, and we are about to vote on whether to raise the debt ceiling by almost another $1 trillion.

At the same time, we must make good on our commitments to the Iraqi people to help rebuild that country. We need to follow through on commitments here at home: to fund education and water projects and transportation and veterans' programs. Let's not forget that we will run right through the Social Security trust fund without setting aside so much as a dime for the young men and women who are paying into that system today, nor have we

taken any steps to address the imminent Medicare crisis.

Now, I admit that I went to college quite some time ago, and I understand that economic theories come and go, but I do not believe that basic math has changed. If you spend more than you have, you run up a deficit.

Yesterday in the Banking Committee we considered the nomination of Dr. Gregory Mankiw to become chairman of the Council of Economic Advisors. Given the health of this economy, we are certainly in need of some good advice. On reviewing some of Dr. Mankiw's work, I was especially interested in a passage from his 1998 book ''Principles of Economics,'' which talks about the dangers of short-term policies: ''People on fad diets put their health at risk but rarely achieve the permanent weight loss they desire. Similarly, when politicians rely on the advice of charlatans and cranks, they rarely get the desirable results they anticipate. After Reagan's election, Congress passed the cut in tax rates that Reagan advocated but the tax cut did not cause revenue to rise. Instead, tax revenue fell. . . and the U.S. federal government began a long period of deficit spending.''

On several occasions, I have expressed concern that this administration is sacrificing the long-term health of this Nation for a popular, short-term political measure. And the President's own nominee for the Council of Economic Advisors appears to share my concern.

I voted in 2001 for the President's tax cut plan. While I would have preferred to see more of that $1.3 trillion go to working Americans, I nevertheless agreed with a majority of my colleagues that a projected surplus of $5.6 trillion over 10 years was too high, and that we needed to refund some of that money. We face a starkly different picture today, and I simply do not understand how my distinguished colleagues can reverse course so completely with respect to their long-standing stated principles.

For example, the majority leader of this body, Senator BILL FRIST, said back in 1996 that ''we have a moral obligation to balance the budget.'' Senator SANTORUM, back in 1995, said that ''the American people are sick and tired of excuses for inaction to balance the budget. The public wants us to stay the course towards a balanced budget, and we take that obligation quite seriously.'' And Senator LOTT, just last year, said that ''the most important thing really does involve . . . keeping a balanced budget, not dipping into Social Security, and continuing to reduce the national debt.''

I would like to focus on Majority Leader FRIST's statement that running budget deficits is a moral issue. What he meant by that was that when we run a deficit, we defer the hard decisions for our children and grandchildren.

In February, a group of 10 Nobel Prize-winning economists spoke out against the President's latest plan: ''Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits. This fiscal deterioration will reduce the capacity of the government to finance Social Security and Medicare benefits as well as investments in schools, health, infrastructure, and basic research. Moreover, the proposed tax cuts will generate further inequalities in after-tax income.''

And just a few weeks ago, Fed Chairman Greenspan appeared before the Banking Committee and said, in as many different ways as he possibly could, that tax cuts should only take place in the context of fiscal discipline. In other words, don't cut taxes if you can't pay for the cuts.

To quote once again from Dr. Mankiw: ''Prosperity tomorrow calls for sacrifice today. It is the rare politician that is willing to call for that.'' In a radio address on March 3, 2001, when we still had record surpluses and we were on a course to pay down the debt, President George W. Bush proclaimed, ''Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.'' At the time, this was an easy statement to make. Now, however, fiscal discipline requires sacrifice, and we need President Bush to follow through on the promise of leadership through hard economic times. I call on President Bush to exercise leadership and put an end to this tax cut mania. No one likes to deliver hard messages, but that is the price of true leadership.

Every time I talk to someone from South Dakota, I hear the same thing: Our schools need more funding; our water projects need more funding; our veterans need more funding; the list goes on and on. But the simple fact is, we just don't have the money anymore. And we certainly won't have the money if we continue on this reckless course of tax cuts that will fill the pockets of those who already have more money than they can spend in a lifetime. I agree that we shouldn't let government grow too big. But we shouldn't destroy it either.

Mrs. BOXER. Mr. President, I am voting against this bill because I came to the Senate to represent California families and this tax cut for the wealthy elite is not in their interest. It contradicts the basic American values of fairness, responsibility, and opportunity.

We are now in the longest period of continued job losses since the Great Depression. In the first 3 months of this year alone, America lost another half a million jobs. As result, 8.8 million people are unemployed today. That is 2.8 million more than when President Bush took office. Most troubling, 1.9 million of those workers have been out of work for more than a year and a half. But instead of targeting the majority of the benefits to a majority of the people, this bill targets its benefits to the very top.

There is not a single responsible economist I know who thinks this tax package will get us out of the terrible economic condition we are in. In fact, 11 Nobel laureate economists and hundreds of others have published an open letter saying that passing these tax cuts ''will worsen the long-term budget outlook, adding to the Nation's projected chronic deficits. This fiscal deterioration will reduce the capacity of the Government to finance Social Security and Medicare benefits as well as investments in schools, health, infrastructure, and basic research.''

Those Nobel laureates also added that the tax cuts would generate further inequalities in after-tax income. The reason for that is that this package is skewed to those who do not need it.

That kind of windfall for the wealthy is bad policy. That is why I supported the Democratic alternative and other amendments that would have spread the benefits of the bill to more Americans.

The Democratic Plan for Jobs, Opportunity and Prosperity would put over 1 million people back to work by the end of 2004. The Democratic plan would provide three times more economic boost right now than the Republican plan. At the same time, the Democratic plan would put us back on the path to fiscal responsibility.

The Democratic plan would have cut taxes for every working American, providing an average benefit of $1,630 to a family of four making $50,000 a year. And it would have provided real assistance to the 8.8 million Americans who are currently unemployed. Our plan would have created a new credit for every working American, which will provide $300 for each adult in a family and $300 for the first two children. We wanted to accelerate the refundability of the child tax credit, accelerate the elimination of the marriage penalty, and extend and expand unemployment insurance for those looking for work, including the 1 million people who have already exhausted their benefits.

Also, the Democratic plan would have sparked growth by helping the States sustain vital services during the economic downturn and encouraging small businesses to invest. As part of the Democratic proposal, we proposed a 50 percent tax credit in 2003, worth $8 billion, to help small businesses pay their share of insurance premiums. And very important for California, our plan would have provided $40 billion in immediate aid to State and local governments. We also proposed tripling the amount of investments small businesses can write off immediately from $25,000 to $75,000 in 2003.

I was deeply troubled that my colleagues cared so much for the elite few that they voted against a number of amendments that would have helped working Americans. They rejected an effort to cut taxes on social security benefits for middle-income seniors. They rejected expanding the child tax

credit. They supported raising taxes on Americans working abroad. They fought efforts to increase tax benefits to help families pay for higher education. And they fought every effort to get more meaningful assistance to the States in this time of crisis.

There were two bright spots during the Senate consideration of this legislation. First, the Senate passed the Invest in the USA Act amendment that Senator ENSIGN and I introduced. It will create a one-time incentive for U.S. companies to bring $140 billion dollars in funds earned abroad back to the U.S. for job creation, investment in plants and equipment, and for other economically stimulative uses.

The Senate also adopted an amendment offered to crack down on delinquent parents who do not pay child support. My amendment, which is based on bipartisan legislation that I introduced, penalizes those who do not pay the child support that they owe.

Despite these two improvements, the bill—and some destructive amendments, such as an expansion of the dividend exclusion—is deeply flawed, unfair, and fiscally dangerous—creating massive deficits, which will hurt economic growth.

Mr. SARBANES. Mr. President, I rise today in opposition to the pending legislation, S. 1054.

Our economy today is in a precarious position. It was reported yesterday that retail sales in April fell. Initial unemployment claims remain well above 400,000, the level typically associated with a weak labor market. This morning we learned that industrial production decreased by one-half of 1 percent last month and that capacity utilization fell to 74.4 percent, and is now at the lowest level in 20 years. Our industrial base is producing less, we have more plants and equipment idle which has led to fewer jobs, reduced consumer spending and increased economic insecurity for the vast majority of Americans. The unemployment rate has risen to 6.0 percent, the highest level sine 1994 and our economy has grown only at rate of 1.5 percent over the past 6 months, far below its potential. This growth rate is far too slow to create enough jobs for the nearly 9 million unemployed American workers who want to find work but can not because there are not enough jobs to be had.

The facts indicate the serious nature of the problem facing the economy in the short run. Our economic growth is not strong enough to even maintain our job base, much less create the jobs needed for those who lost their jobs during the recession.

Unfortunately, the legislation before us today will not help solve these serious problems. The administration's proposal would create very little stimulus this year, when it is needed the most. Two economic consulting firms used by the administration reached this conclusion. One estimate, performed by Economy.com, calculated that the President's proposal will add only 0.4 percent to our gross domestic product this year. The President's proposal will not create enough jobs this year, when people are out of work and can not find a job because there are none to be had. Macroeconomic Advisers issued a report, entitled 'A Preliminary Analysis of the President's Jobs and Growth Proposals' which concluded that the plan would create only 242,000 jobs by the end of this year. That is less than half the 525,000 jobs that we have already lost this year alone.

The President's proposal falls far short of what the economy truly needs. Instead the administration proposal focuses on large permanent structural tax reduction aim at providing the maximum benefit to the wealthiest few. This will have very little stimulative effect while costing a great deal in both the present and the future. Far from stimulating the economy, the President's tax cut will create a large structural deficit which will slow future economic growth and result in fewer jobs. That is not just my conclusion. The Committee for Economic Development, CED, found that the President's proposal, ''would raise the cumulative 2004–2013 deficit by about $920 billion (including interest) and raise the annual deficit ten years from now by about $100 billion.

Large structural deficits have real consequences. They reduce national savings and investment, raise real interest rates and reduce economic growth. The costs of the President's plan over the long run are so substantial that the President's plan would actually reduce future economic growth. Macroeconomic Advisers concluded that ''as interest rates rise, the initial increase in the stock market and decline in the cost of capital are reversed. Weakening investments leads to a sustained decline in labor productivity and hence potential GDP.'' They found that the President's plan will reduce economic growth in the long run. Economy.com reached a similar conclusion. It estimated that the President's plan would actually shrink the economy over the next 10 years.

In his April 26 radio address, the President stated: ''Some Members of Congress support tax relief but say my proposal is too big. Since they already agree that tax relief creates jobs, it doesn't make sense to provide less tax relief and, therefore, create fewer jobs.'' In regard to that statement, the Washington Post reported, ''Asked to evaluate Bush's new argument, one Republican economist with close administration ties quipped, 'I suppose it matters whether you think economics matters.'''

I believe that economics matter. I also believe that when you pursue economic policies based on ideology instead of sound economic principles you end up hurting the lives of millions of Americans and threatening our economic future and prosperity. Look at the record of this administration: Since the President took office, the economy has lost 2.7 million private sector jobs. That is the largest job loss under any one President since we began keeping such statistics. This administration is on track to become the first administration since the Great Depression to witness a decrease in the number of jobs in America. When the President took office, what he, in effect, inherited was a 10-year surplus estimated at $5.6 trillion. That was a projection out for 10 years: a surplus of $5.6 trillion. Now with the policies that he has enacted and the policies that he is proposing, in particular, of course, this very heavily weighted tax cut for the benefit of upper income people, we will go from projecting a $5.6 trillion surplus over the 10-year period to projecting a $2.1 trillion deficit. That is a seismic shift in our position.

Many of my colleagues in the Senate as well as the President have argued that these deficit estimates are inaccurate because they fail to take into account the so-called dynamic effects from the President's proposed tax cuts. In a recent speech the President said that, ''in order to get rid of the deficit, you boost revenues coming into the Treasury by encouraging economic growth and vitality'' through his proposed tax cut. Yet when the Congressional Budget Office analyzed these dynamic effects under nine different models, it found that these dynamic effects made little difference on net and that under five of the nine models theses effects actually increased the deficit. That is under all of the various assumptions used by the CBO the so-called dynamic effects that the President has argued would help the tax cut pay for itself will not only fail to deliver on that promise but may actually increased the deficit. This is yet another example of engaging in a policy driven by political ideology instead of sound economics.

This bill is modeled on the failed economic policy that this administration has advanced: vast tax cuts for the extremely wealthy. The administration's proposal as estimated by the Brookings Institution creates a tax giveaway of over $89,000 to the average millionaire while providing only $482 to the average family with an income of $50,000. This truly represents the priorities of 'Leave No Millionaire Behind' instead of 'Leave No Child Behind.'

This does not have to be the case. The Congress could enact sensible, prudent policies which provide a real, substantial boost to our economy, create many more jobs now when they are needed, maintain our economic strength and security over the long run. Senator DASCHLE presented an alternative that would create real jobs, grow the economy, help unemployed workers, and assist State and local governments that are facing their worst fiscal crisis since WWII. Extending unemployment insurance benefits serves to stimulate the economy immediately as those receiving the benefits

are almost by definition sure to turn around and spend what they receive. Providing aid to State and local governments will allow them to forestall cuts to vital programs or tax increases, either of which would only exacerbate our current economic problems.

Comparing the Democratic alternative and the administration's proposal, the conclusions are the same using almost any economic model: The Democratic plan would create over 1 million jobs at by the end of this year, which is twice as many jobs as the administration's own estimate of their plan; the Democratic plan would provide more stimulus to the economy this year leading to higher economic growth; and the Democratic plan is temporary and far less costly than the President's proposal.

Mr. President, I oppose this legislation and I urge my fellow colleagues to vote no on this bill.

Mr. BIDEN. Mr. President, our economy is in a slump unlike any in recent memory. In fact, we are experiencing a downturn with features unseen since the days of the Great Depression.

In the last 2 years, we have lost over 2.6 million jobs in the private sector. That is the longest continous decline in the number of jobs in over 50 years. It has almost doubled the number of Americans who are stuck in long-term unemployment—out of a job for over half a year.

The unemployment rate has just risen to 6 percent, with 8.8 million Americans out of work.

The stock market has lost value by more than ten percent each of the last 3 years. The last time that happened was, again, the Great Depression of the 1930's. A drop of almost 30 percent in the value of the stock market has decimated the retirement savings of millions of Americans, and drained over $5 trillion in wealth from their net worth.

That is why we are here today, to debate how to respond to this crisis. This crisis is real, it is affecting millions of families directly and indirectly across this country. In addition to the thousands of jobs lost with every new report, millions more families are concerned about the security of their own jobs.

In fact, the situation is so precarious that the Federal Reserve, under the leadership of Alan Greenspan, has shifted its historical concern about inflation to a worry we haven't seen since the 1930's—deflation. Despite a series of 12 interest rate cuts in a row, that thave pushed interest rates to forty-year lows, the Federal Reserve's meetings are now focused on keeping us out of the kind of deflation trap that Japan has been stuck in for more than a decade.

When the Fed is more worried about deflation than inflation, you know you have a probiem.

And while we ended the last century with the Federal budget in balance for the first time in a generation, we now begin the new century facing deficits bigger that we have ever seen. The Congressional Budget Office has just raised its estimate of this year's deficit to $300 billion, and that doesn't even count this $350 billion tax cut before us today.

Wall Street analysts expected the actual deficit to be closer to $400 billion or even more for this year—the biggest dollar figure ever.

This kind of budget policy is the reason why we will soon be voting to raise the national debt ceiling—to allow us to borrow enough money to pay the bills we have already incurred.

This will be the single largest increase in the national debt in our history, adding almost a trillion dollars to the debt limit, raising it to over $6.7 trillion.

Just a few short years ago we were paying down the national debt.

We have gone from a projected surplus of $5.6 trillion to a $1.8 trillion deficit. This is a record of economic bad news that has not been equaled in most American's lifetimes.

Now we are piling up additional debt, and adding heavy new interest charges to the spiraling costs of this administration's irresponsible budget policy. Over the next 10 years, we will add an additional $1.7 trillion in interest costs on that Debt—$1.7 trillion that will not be available for homeland defense, for health care, for education, for law enforcement.

How well I remember. How the men and women in the business community would come to me in the decades of deficit and tell me, ''Balance the budget, stop borrowing money like nobody else needs it. Get the government out of the credit markets so we can invest and grow.''

Where are those voices we used to hear on the Senate floor, imploring us to reverse decades of borrowing and return to the straight and narrow of balanced budgets?

We need a strong dose of those principles now. We need an economic stimulus that works. And we need an economic policy that does not mortgage our future, that does not dump the bill on our children and grandchildren.

We need a plan that we can afford, that treats the very real, specific problems that average families in Delaware and around the country are facing today. Unfortunately, the bill before us is the wrong plan, at the wrong time, at the wrong price.

We need an economic policy that has an impact right now, in the very short term—an impact on consumer spending, on the demand side, to give employers a reason to bring those workers back.

That means tax cuts for the vast majority of American families who need some relief, and who can be counted on to go out and spend that money—to create demand for more products, create more jobs.

But in addition to the very real and very serious problems we are facing today, in the very near future, just around the corner, the retirement of the baby boom generation will stretch our Social Security system to the breaking point.

Just a decade from now, surpluses in the Social Security system—extra funds that help to cover some of our current deficits—those surpluses will disappear. Then the drain on our resources will accelerate until—according to the Social Security System's trustees—by 2030 Social Security and Medicare will be a third of every Federal income tax dollar, and by 2040, almost half of every Federal income tax dollar.

That is clearly an impossible situation that we cannot permit to occur. We must act now to makes sure that we have the resources to keep the promises we made to the millions of Americans who have paid their Social Security taxes over the years.

But every dime of the $350 billion tax cut before us today is borrowed from Social Security—it breaks our promise to those who depend on Social Security, and sends the bill to our children and grandchildren.

The solution we are seeking today, for the ongoing loss of millions of jobs, must not ignore the crisis in federal finances that is beginning now and crests just a decade away.

It is not just that it is unfair and irresponsible to put the burden of our choices off on our children. That should be reason enough to reject this policy out of hand.

But a moment's reflection tells us that if we borrow $350 billion, or $550 billion, or—if the President had his way, $726 billion—if we borrow that money from the same capital markets where our corporations and home buyers get their money, that policy is self-defeating.

It raises the cost of money, and slows the economy down, while handing out windfall tax breaks that people will get without any change in the behavior.

That policy is indeed unfair. It is irresponsible. And it is ineffective.

But a kick-start that gets people spending and businesses hiring—and that has a reasonable cost—that kind of policy can work.

First, we all know that the real price of this bill is not $350 billion. We have already heard that key members of the Republican leadership do not expect that the tax increases in this bill, that keep the cost of the tax cuts down, will survive a conference with the House. If those tax increases go, the cost of this bill goes up.

And key provisions in the bill—like the dividend exemption—phase in slowly and then are supposed to expire after ten years. Even if you buy the idea—which I don't—that giving a tax break to the small percentage of Americans who receive dividends can somehow turn the economy around, how can you expect that change to happen if businessmen know they should wait a few years until the exclusion is phased in?

And what kind of permanent change in corporate behavior can we expect

when we know that the door is going to slam shut on this deal 10 years out?

One answer is that they don't expect that door to close. They expect the dividend provision and others to be extended. Or more and more dividends could be excluded—that creeping expansion and acceleration has been the pattern since we passed the 2001 tax cuts.

Full exemption of dividends, if it were in place at the end of this decade, would cost $750 billion over the next 10 years.

For that and many other reasons, this tax cut, as big and irresponsible as it is, is just a place holder for even more reductions, and even more deficits, even more debt.

But designed this way, to get ten pounds of tax cuts into a five pound bag, so to speak, has resulted in a tax cut that even a conservative economist who supports the administration has called, and I quote from yesterday's Washington Post, ''one of the most patently absurd tax policies every proposed.''

But maybe if this bill offered the average American family some real tax relief, maybe if we could expect a little help for the millions of jobless men and women stuck in long-term unemployment, some of the cost would be worth it.

Tragically, there is no reason to expect this legislation to do anything to stimulate the economy this year or next. The way this tax cut is designed, there is no reason to expect any benefit to the economy, and every reason to believe that the deficits it creates will cause harm.

Estimates by Congressman HENRY WAXMAN, who examined corporate statements, show that the top three executives at Fortune's largest 100 companies would get a tax cut of $118 million if dividends were totally excluded from taxation, the goal that administration officials admit is the real aim of the partial exclusion in this bill. Under full exclusion, twenty one executives would get a tax cut of $1 million.

That is for doing nothing. Just for doing what they already do. That is not corporate tax reform, it is simply a windfall. I trust that those men and women earn every dime they already make. But no one can argue that a $118 million personal windfall into the already large pay packages of those executives is going to create a single new job.

I you really wanted to fix the problem of dividend taxation, even Republican economists—indeed, especially Republican economists—will tell you that you should eliminate the tax at the corporate level. That at least has the potential of changing the behavior of firms that now must choose between borrowing that is not taxed and dividends that are taxed.

That could be part of an honest debate about tax reform and job creation.

And when Alan Greenspan endorsed the idea of reforming dividend taxes, he said it should be done in a way that does not add to the national debt, and that it should be part of a bigger plan of reform. This proposal flunks all of those tests.

Only 13 percent of the impact of this bill will be felt in this year, Mr. President—and less than half in its first 2 years. And the vast majority of the revenue losses come in the future, as the crisis in Social Security approaches. This plan turns economic logic on its head.

This is not designed to stimulate the economy—if it were, it would provide a quick, short-term boost to family incomes, and would give businesses incentives to act right now to increase investment and create jobs.

Under this bill, the one-tenth of one percent of Americans who have an income of over $1 million will receive an average tax cut of $64,000. But those Americans in the middle 20 percent of the income spectrum would get an average tax cut of $233.

That's right, the average American gets a tax cut of $233, under this bill.

That is not fair. But it is not good economic policy either. Those good men and women fortunate and hard-working enough to make over a million dollars a year are not going to change their behavior, they aren't going to create any new jobs, just because they get an additional $64,000.

But getting money to the families who will go out tomorrow and spend it, getting money to those who are about to lose long-term unemployment benefits, getting money to the states to prevent further state tax increases or spending cuts—that has the best hope of giving the economy the stimulus it needs.

The tax cut program that makes sense and that I supported would provide a tax cut for every American taxpayer—for example, $300 for every adult, $300 for the first two children. It increases the child tax credit to $700 this year and $800 next year. And for middle class and working families, this tax cut plan that I supported accelerates relief from the marriage penalty.

Altogether, a middle class family of four would have gotten a tax cut of $1630 this year under the Democratic tax cut plan.

And if you add to that my proposal to allow parents to deduct the cost of college tuition a family with kids in college could get an additional $3000 tax break. That is real help, for real families, to deal with a real problem, and frees up real money to stimulate the economy.

Incredibly, this so-called ''Jobs'' bill makes no provision to extend the life of the long term unemployment program that expires in just two weeks. With the number of long-term unemployed at record levels and growing, this bill simply ignores their needs.

Equally astounding, the bill provides almost nothing for the states whose fiscal crisis is dragging the economy down. State budget cuts in education, health care, law enforcement—even homeland security—slow the economy as workers lose jobs and businesses lose customers.

While there appears to be $20 billion in aid to the states in this bill, in reality, the reductions in federal dividend and income taxation will cut as much as $11 billion from state taxes based on those sources.

Under the tax cut plan I support, small businesses would get three times the tax write off for investments—$75,000 worth—this year, and a tax deduction for 50 percent of the cost of new equipment, along with help getting health insurance for their employees.

The tax cut I support would get $20 billion in real help to the states to confront the fiscal crisis that is compounding the national economic slump.

And the tax cut program I voted for would extend unemployment benefits to help those looking for work sustain that search in a time of record job losses.

Finally, the plan I supported is affordable. Its effects take place immediately, and it would not leave a hole in our finances for our children to repair.

That's the plan I supported, and it is the plan our country needs. I cannot vote for this bill that is now before us because it fails to do so.

Mr. LEVIN. Mr. President, I cannot support this fiscally irresponsible and unfair tax cut package.

Our economy is struggling right now. Eight-and-a-half million Americans are out of work, and we now have about 2.7 million fewer private sector jobs than were in existence at the beginning of this administration. No President since the Great Depression has ended a term with fewer jobs than when his term began. Michigan has an unemployment rate of 6.7 percent, among the highest in the Nation. According to the Bureau of Labor Statistics, Michigan lost 17,700 jobs just last month, the most of any State in the country. That brings the total number of Michigan jobs lost since the Bush administration took office to over 178,000, and the total number of unemployed in Michigan to 344,000.

We are also back into a deep deficit ditch. As recently as January 2001, the Office of Management and Budget projected a 10-year surplus of $5.6 trillion. Now, under the recently passed budget resolution, we face an estimated deficit of $1.95 trillion over the same time period, including record deficits of over $300 billion for this year and the next. Federal Reserve Chairman Alan Greenspan recently reiterated that the bigger the deficits, the higher the long-term interest rates, which means higher home, car, college and credit card payments for us all.

Our economy needs a lift now. It needs real jobs and real growth now, not a rehash of the same policies that were tried and failed in the recent past.

Unfortunately, this bill only provides more of the same failed policies.

While the bill purports to cost $350 billion over 10 years—an amount which already is fiscally irresponsible given our current deficit—this number is arrived at by using a budget gimmick that masks the true cost of the bill, which in reality is upwards of $660 billion over 10 years. The bill would completely exclude dividend income from individual taxation in 2004 through 2006, a policy that is expensive, not very stimulative to our economy and sharply slanted towards upper income folks. But then the bill ''sunsets'' the dividend exclusion so that it disappears beginning in 2007. Not only is that bad policy, it is also disingenuous and deceptive to the American people.

This bill also is too generous to those who need it the least. The top 10 percent of taxpayers would receive well over 50 percent of the tax benefits, and in 2003, those with incomes above $1 million would receive an average tax cut of $64,400, while those in the middle of the income spectrum would receive an average tax cut of only $233. Providing large tax cuts to the wealthy in the hopes that the benefits will trickle down to everybody else hasn't worked before, and there is little reason to think that it will work now. Following the same approach that failed time and again just doesn't make sense.

This plan provides no unemployment benefits to any of our 8.7 million unemployed Americans. It is ironic that in a bill that is based on the President's so-called ''Jobs and Growth'' package, the Republican majority is not addressing the immediate need for job assistance for millions of Americans. It is elementary economics that providing additional unemployment benefits is an excellent way to jump start a stagnant economy. The money we are talking about is money that will be spent. According to a 1999 Department of Labor study, every $1 invested in unemployment insurance generates $2.15 in Gross Domestic Product. That is what our economy needs, not wildly expensive tax cuts that do little in the short term at a huge long-term cost.

While I am pleased that this bill contains funds to assist our struggling State and local governments, it does not do enough. Our States currently are facing their worst fiscal crisis in over 50 years, with many being forced to raise taxes or cut vital services like Medicaid in order to balance their budgets. Instead of doing all that we should to assist them, this bill includes a dividends exclusion provision that will actually strip States of revenues, something which will stimulate neither jobs nor growth.

I supported and voted for a tax package that was about creating jobs now, when we need it, in a way that did not mortgage our future.

The plan I supported was estimated to put more than 1 million people back to work by the end of 2004 at a fraction of this bill's costs. It would have cut taxes for every taxpaying American, providing a tax cut of $1,630 to a family of four through a wage credit, an acceleration of the child tax credit, and an elimination of the marriage penalty. It would have helped small businesses by providing them with a 50 percent tax credit to help employers maintain health coverage for their workers, and would have provided large and small companies with incentives to invest and create jobs by allowing small businesses to immediately write-off more investments and providing bonus depreciation to all companies. It also would have provided unemployment benefits for nearly 4 million laid-off workers, including those who have already exhausted their benefits. What our sagging economy needs right now is immediate jobs, growth, and stimulus, and that is what the plan I supported offered.

Instead, what passed is a package that is the wrong medicine for our ailing economy. It will create fewer jobs than what is needed. It will slight middle-class families in favor of the wealthy. And it will dramatically increase the deficit and national debt and drive up interest rates, which will make it more expensive to buy a house, pay for college, or pay off credit card debt. That is just not a plan that I can vote for.

Mr. KOHL. Mr. President, I rise today to express my deepest disappointment in the actions of the Senate today. Today, across the country, States face a fiscal crisis as State legislatures attempt to close an estimated $17.5 billion budget gap. Today, more than 2 million American workers have been unemployed for more then 6 months. Today, families across the county are struggling to make ends meet. Today, our country is seeing steadily increasing deficits, now projected at over $300 billion this year alone. And today, in the Senate, we passed a hugely expensive tax package that will overwhelmingly benefit the wealthy.

It is for that reason I voted against the Finance Committee's jobs and growth package. I have consistently argued that the best way to meet the needs of our Nation is to find a balance between cost and benefit, and the votes I have taken today are a reflection on this desire. I voted to double the amount of funding that would go to struggling State legislatures and local governments. I supported efforts to get more money into the hands of working families. I also supported amendments that would assist small businesses with the cost of health insurance and new equipment. These initiatives are the most effective, as well as the most cost effective, means of stimulating the economy.

I would like to take a moment to applaud the pieces of the Finance Committee's package that were actually beneficial to working families. Marriage penalty relief and accelerating the increase in the child tax credit are both worthy proposals that would benefit millions of families. In addition, the small business expensing provision is an excellent way of helping small businesses with startup costs thereby providing a significant boost to the economy. However, we could, and should, have done more—more help for the struggling economy and struggling families at less damage to our bottom line. I was disappointed to see proposals fail today that would have expanded on all of these provisions; proposals that would have gotten more money into the hands of families who would spend it and could have provided a larger, faster boost to our failing economy.

My greatest disappointment, however, was with an amendment that was able to pass. Since the administration announced its support for a complete elimination of the taxation on dividends, I have voiced my opposition to this proposal. Forty-two percent of the benefits under this proposal would go to the richest 1 percent of taxpayers. Those are inexcusable figures for a provision to be included under a so-called growth package. The dividend proposal will not spur the economy, will not help working families, and will not help States with their budget shortfalls. These are the goals we should be working towards, and I believe that we have fallen severely short in passing this legislation today.

Mr. BUNNING. Mr. President, I am pleased that the manager's of the Jobs and Growth Tax Relief Reconciliation Act of 2003, Chairman GRASSLEY and ranking member BAUCUS, have agreed to included in their manager's amendment my provision, which is supported by many members in this body, that addresses the issue of the tax burden that is faced by wholesalers of domestic distilled spirits.

I want to take this opportunity to express my support for this legislation and also to share my broader concern about how the current Federal Excise Tax, FET, system places an undue burden on distillers that must, at a minimum, not be increased to fund this legislation or for any other reason.

I introduced this amendment because I believe that the existing FET system for domestically produced distilled spirits penalizes spirits wholesalers across the nation. These are mostly family businesses that create high wage jobs. Yet spirits wholesalers often find themselves in the position of, in essence, having to float Uncle Sam a loan when they purchase U.S. made spirits from their distillers.

Let me briefly explain how this situation comes about in the marketplace. Under Federal law, spirits produced in the United States may not leave the distillery premises until the FET is collected. Thus, the cost of the FET is factored into the price of the goods that is paid when the wholesaler accepts possession from the distiller. The wholesale, in turn, may wind up having to warehouse these products for a considerable time before they are sold to a

retailer. The fundamental issue here is the time value of the FET—valuable working capital for these businesses—while the wholesale warehouses products without realizing any income from their sale.

This amendment would create a tax credit available to the wholesalers in order to offset these FET carrying costs. I believe this is fundamentally fair and will help protect and create good jobs in the wine and spirits wholesale tier across the nation.

However, in introducing this amendment and supporting its inclusion in the Jobs and Growth Tax Relief Reconciliation Act of 2003, I want to make one thing perfectly clear. In supporting this bill, I want the Administration, and officials at the Treasury Department and the Bureau of Alcohol, Tobacco and Firearms to understand that by doing so I reject the connection that some have tried to make between this issue and Section 5010 of the tax code, the wine and flavors tax credit. In past years, the suggestion has been made that any revenue loss to the U.S. Treasury caused by the provisions of my amendment be offset by repealing Section 5010. I reject that notion because there is no logical link between the two issues.

Section 5010 is a component-based tax provision allowing distillers to claim a credit for wines and other flavoring components that are added to their products. Thus, a distiller will pay the full spirits FET for that portion of a product that is derived from distilled spirits. However, many products sold as spirits contain wine and other non-spirits flavorings, which are subject to tax at lower rates. Under Section 5010, the distiller is entitled to a credit for the difference between the wine and the spirits tax for that portion of the product that is not derived from spirits.

Section 5010 is important. It has the added policy virtues of being on the side of common sense, economic competitiveness and fundamental fairness. All of this is why I have fought hard to protect 5010 from several serious threats over the years.

I am pleased that, with the inclusion of my amendment in this bill, the Senate has once again shown its support for solving this problem which penalizes spirits wholesalers of domestically produced distilled spirits. I am also pleased that the Senate has seen fit to address this important issue without harming Section 5010 or otherwise increasing the tax burden on distillers.

Mr. DOMENICI. Mr. President, I rise today to thank my colleague from Iowa, Senator GRASSLEY, for his leadership in providing much needed assistance to our Nation's hospitals and doctors. Specifically, I would like to thank him for his support of the disproportionate share hospitals—DSH—program, and for his support of fair and equitable Medicare reimbursement for America's doctors.

The Medicaid DSH program is an essential program that provides relief to many of our Nation's safety net hospitals; hospitals that experience financial difficulty because they treat larger numbers of the uninsured, low-income, and Medicaid patients. By raising payment rates to these hospitals, the DSH program helps to alleviate the disadvantaged financial situation suffered by many of these hospitals, and helps to ensure that all who need access to hospital care are able to receive that care.

Under current rules, a state's DSH payments may not exceed an allotment amount that is set in law for that state. In my home state of New Mexico, DSH payment adjustments are set at less than 1 percent. This 1 percent is far less than the national average of 8 percent, thus classifying my state as an ''extremely low DSH state.'' This lack of funding has seriously threatened the viability of many New Mexico safety net hospitals, and it puts at risk the care of some of our neediest citizens.

Today however, as a result of the work done by this body, Medicaid DSH allotments for States like New Mexico that have extremely low payments will be raised from 1 percent to 3 percent. This additional funding will help to ensure that our hospitals can continue to treat Medicaid and other low income or uninsured patients, and it will help relieve some of the pressure on our State's budget.

In addition to the assistance provided to the DSH program, this Congress has also taken a proactive approach to resolving another issue of great importance to me, fair and equitable Medicare reimbursement for America's doctors.

In many Medicare payment localities, current Federal policy undermines a doctor's ability to see Medicare patients by establishing disparity in reimbursement levels. Rural physicians are among the lowest Medicare dollar reimbursement recipients in the country, and I submit that this is the reason these areas cannot effectively recruit and retain their physicians.

This practice is unfair and it is discriminatory. There is not reason doctors in Albuquerque, NM should be paid less for their time than doctors in New York City. Doctors should be valued equally, irrespective of geography.

Today, Congress has agreed to fix many of these inequities, and has provided for a more balanced reimbursement formula. By increasing Medicare physician reimbursement, we will improve patient access to care and increase the ability of states to recruit and retain physicians. When Medicare physician reimbursement rates are raised, patients are the ultimate beneficiaries.

I have enjoyed working with my colleagues, including Senator BINGAMAN, on these very important issues.

Mr. NICKLES. Mr. President, pursuant to section 313(c) of the Congressional Budget Act of 1974, I submit for the RECORD a list of material in S. 1054, the Jobs and Growth Tax Relief Reconciliation Act of 2003 reported by the Finance Committee on May 13, 2003, considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313. The inclusion or exclusion of material on the following list does not constitute a determination of extraneousness by the Presiding Officer of the Senate.

To the best of my knowledge, S. 1054, the Jobs and Growth Tax Relief Reconciliation Act of 2003, contains no material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313 of the Congressional Budget Act of 1974.

Ms. SNOWE. Mr. President, I rise today to speak regarding the jobs and growth package that was reported by the Senate Finance Committee and that has been considered on the Senate floor. It was a long and often arduous journey that brought the bill here for consideration, and I especially thank the majority leader and Finance Chairman GRASSLEY for their extraordinary and tireless efforts in ensuring we were able to pass a package in committee and consider this economic stimulus bill in the full Senate.

Let us remember, this debate began when the President rightfully and forcefully made the case that we have an obligation to help jump-start an economy that was already in the doldrums even before the tragedy of September 11. Over the past few months—as we worked to pass a budget for the first time in 2 years and as the tax cut package moved through the respective House and Senate committees—some said the reductions should be smaller—some said larger—and others even believe that no cuts were warranted. Last week, the House passed a very different tax bill than the one the Senate is considering today, further reflecting the diversity of deeply held beliefs as to our appropriate course of action in Congress.

I have believed since last fall that the American people must know we are serious about creating jobs with a plan that can be effective now. We have lost 2.3 million jobs since March 2001, and with 48,000 jobs lost in April alone, we have reached the highest level of unemployment in 8 years at 6 percent. In the last quarter of 2002, the economy was growing at a languid 1.4 percent annual rate, and the Commerce Department's latest report showed the economy was still at a weak growth rate of 1.6 percent. Consumer spending has increased more slowly than at any time since the 2001 recession, and capacity at the Nation's factories is at a low of 72 percent—meaning that demand can and must be increased.

So the President is absolutely right to make passage of a robust growth package central to his agenda, and I applaud his unflagging leadership in rejuvenating our economy. At the same time, I have also held throughout this debate that to deficit-finance too high

a level of tax cuts would be to risk condemning future generations to the corrosive economic effects of unsustainable deficits—and tying hands of future Congresses in addressing our most pressing domestic challenges.

With a net $350 billion for stimulus, the package reported by the Finance Committee is consistent with these principles, and those that are embodied in a letter I signed along with Senators VOINOVICH, BAUCUS, and BREAUX before consideration of the budget resolution. In that letter, we stated our belief that ''our nation would benefit from an economic growth package that would effectively and immediately create jobs and encourage investment.'' But we also expressed our belief that ''any growth package that is enacted through reconciliation this year must be limited to $350 billion in deficit financing over 10 years and any tax cuts beyond this level must be offset.''

So how did I arrive at 350? It was not by simply splitting the difference. It was by making a clear, bright-line distinction as to which measures were truly effective, short-term stimulus and which were not. The $350 billion package approved by the Finance Committee provides for all of the President's proposals that can truly have the immediate, stimulative effect our economy requires in their entirety. Indeed, as economist William Gale of the Brookings Institute has said, within that $350 billion figure, we would likely get most of the short-term job boost.

To pay for dividend tax cuts that could create long-term growth, the Finance Committee package employs genuine offsets. With all the provisions of the committee plan in effect for the full 10 years—accelerating policy that was already passed by the Congress in 2001—it creates the kind of continuity and stability for both markets and consumers that is critical in making investment and spending strategies.

While some undoubtedly believe we should pass a significantly larger tax cut, let us remember that $350 billion in net tax cuts is by no means inconsequential. In fact, if enacted it may be the third largest tax cut in history—and is being considered just 2 years following the largest tax cut in history. Moreover, the Finance Committee bill is a responsible bill that recognizes the lessons learned from past debates on economic stimulus—that boosting both consumer purchasing power and business investment is vitally important to economic growth.

For example, the package would cut the marginal tax rates across the board—impacting workers' paychecks by increasing their take-home pay this year. The bill also accelerates tax relief for families with children, including a provision not in either the President's plan or the House bill to accelerate the increase in the amount of the child tax credit that is refundable for working families with low incomes—building on my inclusion of refundability in the 2001 tax package. Married couples would also receive tax relief from the unfair marriage penalty through the expansion of the standard deduction and the 15 percent tax bracket.

To spur investment, the Finance Committee bill triples the amount a small business can write off for investments in new business assets—and with small businesses representing 99 percent of all employers—contributing to 51 percent of private-sector output—and providing about 75 percent of net new jobs, that is exactly the kind of policy that can help create jobs soon. It would also provide needed capital to small businesses by expanding the ability of pension plans and other tax-exempt entities to invest in the securities of Small Business Investment Companies. This provision alone is expected to create an additional 16,000 jobs due to the additional investment capital available for small businesses.

Furthermore, the State fiscal relief provision in the Finance Committee plan can provide additional economic stimulus. With States facing combined shortfalls of more than $68 billion in fiscal year 04, I thank Chairman GRASSLEY for working to include a ''trust fund'' in the package of $20 billion in relief for the States and local governments to use as they see fit to address increasing Medicaid costs, transportation needs, homeland security infrastructure, education, and other critical functions.

I know some have argued State budget shortfalls result from overspending. Yet, as a report issued by the National Governors Association shows, State spending from 1995 to 2001 increased 6.5 percent per year, a rate identical to spending from 1979 to 2003, and I would like unanimous consent to print that report in the Record.

I also have here a letter from the heads of the Conference of State Legislators, the Council of State Governments, the U.S. Conference of Mayors, the National Association of Counties, the National League of Cities and the International City/County Management Association documenting that States and localities are experiencing their worst fiscal conditions since World War II. I ask unanimous consent this letter also be printed in the Record along with my statement.

Moreover, according to a recent Wall Street Journal article, ''Analysts at Goldman Sachs figure state and local belt-tightening (in their budgets) will shave as much as a half-point from the economy's growth. . .'' By providing State fiscal relief, we have the opportunity to return that half-point of growth to our economy. And let us remember, dollars spent on education, health care, and transportation have an economic value today and tomorrow.,

Indeed, should State decide to use a portion of the assistance on transportation, it is worth nothing that, according to the U.S. Chamber of Commerce, for every $1 billion invested in transportation, 47,500 new jobs are created. And let us not forget that State and local governments account for more than 15 million jobs nationwide. As we take steps to put more money into the hands of consumers, we must also make sure that those who are employed by a State or local government, either directly or through a government service contract, are able to remain employed.

On that note, I am pleased an amendment was included here on the floor to further refine the agreement and language that Senator SMITH and I included in the growth package reported by the Senate Finance Committee.

After working to generate strong bipartisan support for this issue, the Senate Finance committee established a $20 billion trust fund in S. 1054, the Jobs and Growth Tax Relief Reconciliation Act of 2003, to provide critical, flexible relief for both State and local governments. I also want to thank Chairman GRASSLEY again for his willingness to work with me to identify appropriate offsets that enured this proposal would not increase the net cost of the growth package.

By securing support in committee to include a $20 billion fiscal relief trust fund, I was able to ensure that States and localities receive the help they need in balancing their fiscal year 2004 budgets. The subsequent amendment we passed on the floor, with my support included my proposal which requires half of the $20 billion to be distributed between State and local governments—with States receiving $6 billion and localities receiving $4 billion. The remaining $10 billion goes to States through a temporary increase to the Federal Medical Assistance Percentage, known as FMAP, to help alleviate the short-term spike in Medicaid costs. The assistance would be distributed in fiscal years 2003 and 2004.

So, again, the Finance Committee bill fully provides for the appropriate range of short-term stimulus measures. At the same time, for me—as I have stated—the net $350 billion cost of that package strikes a balance in keeping with the requirements imposed by my allegiance to the principles of fiscal responsibility. Because I came to this debate as one deeply rooted in the idea that perhaps the issue that best demonstrates our commitment to the generation of tomorrow is balancing the Federal budget. I have said time and again that there is not goal more critical to the economic future of our Nation—and that is not just my view.

As Chairman Greenspan recently testified, ''(The deficit) does affect long-term interest rates, and it does have an impact on the economy.'' And he has also warned that, ''If . . . you get significant increases in deficits which induce a rise in long-term interest rates, you will be significantly undercutting the benefits'' of tax cuts. If you consider that the two sectors that are keeping the economy afloat right

now—housing and automobiles—are also two of the most interest rate sensitive—just imagine where we would be in the future with high unemployment and high interest rates.

And it is not just our future economy at stake—if that by itself isn't reason enough for fiscal prudence. I will recall the years we fought to arrive at balanced budgets and surpluses—and reaching that fiscal ''holy grail'' in the late 1990s was supposed to open a window of opportunity to address the domestic challenges of the coming decade—most significantly, strengthening Social Security and Medicare.

Yes, even then, many of us were mindful that projections of future surpluses were just that—projections. That is why even as I supported the tax cuts in 2001—to provide, in Chairman Greenspan's words—an ''insurance policy'' against the effects of a recession, and to provide relief at a time when Americans were suffering under the highest tax burden since World War II—I proposed and I championed a trigger linking the level of spending and taxes to the level of surpluses actually realized.

Of course, none of us could have foreseen that so many challenges would soon arrive, as the President has said, ''In a single season.'' September 11, the war on terrorism, and the necessity of disarming the Iraqi regime, the costs of bolstering our homeland security—all those shook an already fragile economy and sparked a return to deficits. In fact, CBO attributes fully 68 percent of the evaporated $5.6 trillion in surpluses to the recession and economic downturn.

So here we are, with CBO having projected just this month that the deficit will be $300 billion—which is 22 percent higher than their projection from only 3 months ago and about 92 percent more than last year! Keep in mind that is without accounting for the approval of additional tax cuts or additional costs of pressing national priorities like the war in Iraq, homeland security costs, and passing a Medicare prescription drug benefit. And Citigroup economic forecasters have recently predicted that the 2003 deficit could be as high as $500 billion.

Even optimist projections that assume higher-then-expected productivity growth anticipate substantial long-term deficits. And if growth remains just ''average'', the Nation will fact unsustainable budget deficits. Just this month, economists with Goldman Sachs expressed alarm about projections that Federal debate will grow from 33 to 49 percent of gross domestic product—a circumstance they say will undermine the economy, instead of spurring economic growth. And as we face a true cumulative deficit through 2013 projected to be nearly $4.5 trillion—not counting the $2.7 trillion in surpluses from Social Security that are currently being sued to mask the size of the deficit—we cannot tolerate the confluence of burgeoning deficits in perpetuity with the retirement of 77 million baby boomers beginning in 2013.

That is why it was critical that—in establishing a policy on the taxation of dividends that could be built on as we assess the reaction of, and overall impact on, the financial and business sectors—the Finance Committee package pays for it with offsets. As Chairman Greenspan has said, cutting taxes on dividends will ''bolster the economy's long-term ability to grow''—but they should also be paid for.

As reported by the Finance Committee, the bill includes real offsets, scored by the Joint Committee on Taxation, to fully compensate the approximately $80 billion cost of the provision. Moreover, in providing a capped exclusion of $500 for the taxation of dividends, with an additional exclusion for dividend amounts above $500 that goes from 10 percent to 20 percent over 10 years, the proposal would benefit all taxpayers who receive dividends, eliminating the tax entirely for 84.7 percent of all taxpayers.

One of the arguments that proponents of eliminating the tax on dividends use to tout the proposal's benefits is that it will reduce the cost of capital for business over the long term. I agree. However, cutting taxes on dividends affects the financial markets as well.

I am concerned that enacting a shorter term provision with a sunset would have negative consequences and potentially harm the economy. Kevin Hassett, a scholar at the American Enterprise Institute, has commented on such a dividend plan, saying that, ''Since the eliminate of dividend taxes is only temporary, investors must evaluate the risk that dividend taxes will come back. If they do, then the cash flows to investors from owing stock will plummet, as will the value of shares. Under such circumstances, it is undeniable that government policy significantly increases the fundamental risk of stocks. It would be hard to imaging that this would be good for the stock market or the economy.''

Moreover, the benefits of cutting taxes on dividends cannot be viewed in isolation—the effect on the budget must be factored in the analysis. A key point is that, as the Federal budget goes further in the red, the associated mounting Federal debt will ''crowd out'' private capital in the marketplace—having a damaging impact on the economy. This will become more and more evident as we approach the end of this decade, with the pressures of the very large increase in baby boomer retirements.

The bottom line is that, while deficits have supplanted surpluses due to war costs and the lingering effects of recession, we have a fundamental responsibility to ensure they are a temporary phenomenon—not a perpetual cycle ''as far as the eye can see.'' The years of balanced budgets in the late 1990s should be no brief fiscal interlude, but rather the rule—so lowering taxes and containing deficits until we return to balanced budgets must not be mutually exclusive goals.

Again, the tax bill that was reported out by the Finance Committee provides the right balance of tax relief that would stimulate both consumption and investment. The fiscally responsible growth policies contained in that package meet the dual, critical challenges of immediate, stimulative economic growth without further inflating budget deficits and returning to a perpetuity of red ink. And, as I have said, the dividend plan in the Finance bill is a long-term policy that takes an important, but incremental step to eliminating that ax on dividends.

Regrettably, however, the temporary dividend proposals in the final bill, I believe, is not good long-term tax policy. If we assume a future Congress will extend this provision permanently, then the true cost would be over $300 billion—adding further to ballooning deficits well above the $350 billion net cost of the Finance Committee bill. On the other hand, if Congress does not extend the policy, it could have dire implications on the financial markets and companies.

Finally, it must be noted the way in which this provision is paid for dilutes the important benefits of the section 179 expensing by sunsetting its expansion and cutting short marriage penalty relief proposed by the President. Therefore, for the reasons I have just detailed, I regret I am unable to support the final package, as amended.

Mr. President, I ask unanimous consent that the letter I referred to earlier be printed in the RECORD.

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

U.S. SENATE,
Washington, DC, March 13, 2003.

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

DEAR MAJORITY LEADER FRIST AND MINORITY LEADER DASCHLE: With the international challenges our Nation faces, including a possible military engagement with Iraq, continuing tension on the Korean Peninsula, and the ongoing war on terrorism, coupled with sluggish economic growth, we believe it is critical a budget resolution for Fiscal Year 2004 (FY2004) be enacted this year. We are committed to working in a bipartisan manner to this end.

We believe that our nation would benefit from an economic growth package that would effectively and immediately create jobs and encourage investment. We appreciate President Bush's leadership in identifying this need and beginning this important debate with his economic growth proposal.

Given these international uncertainties and debt and deficit projections, we believe that any growth package that is enacted through reconciliation this year must be limited to $350 billion in deficit financing over 10 years and any tax cuts beyond this level must be offset. All signatories to this letter are committed to defeating floor amendments that would reduce or increase this $350 billion amount.

We look forward to working with you on a bipartisan budget.

Sincerley,

JOHN BREAUX.
MAX BAUCUS.
OLYMPIA SNOWE.
GEORGE V. VOINOVICH.

NATIONAL CONFERENCE OF STATE LEGISLATURES, COUNCIL OF STATE GOVERNMENTS, NATIONAL ASSOCIATION OF COUNTIES, U.S. CONFERENCE OF MAYORS, NATIONAL LEAGUE OF CITIES, INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION,

May 8, 2003.

Hon. CHARLES GRASSLEY,
Chairman Senate Finance Committee,
U.S. Senate Washington, DC.

Re Reconciliation, State and Local Fiscal Assistance.

DEAR SENATOR GRASSLEY: On behalf of state and local officials, we appreciate and support your proposal to provide $20 billion in fiscal assistance to state and local governments in reconciliation legislation pending before your committee.

The nation's economic recovery is essential. We believe a partnership among the federal, state and local governments and the private sector is necessary to expeditiously achieve this recovery. With state and local governments experiencing their worst fiscal conditions since World War II, we are not positioned to help stimulate the economy. Additionally, states and localities continue to deal with the excessive inflationary costs of certain state-federal partnerships, such as Medicaid. Finally, state and local governments continue to fill gaps in unfunded federal mandates and underfunded national expectations. Instead, state and local governments are reducing workforces, deferring capital projects, cutting programs and imposing fee increases and raising income, sales and property taxes. These activities work against economic recovery and the partnership we feel is critically needed.

We are very pleased with the Senate's past response to and action on our request for fiscal assistance and partnership in economic recovery. We are eager to work with you to develop reconciliation and economic recovery legislation. Thank you for your consideration of our concerns. Please have your staff contact each of our organizations for assistance and information.

Sincerely,

WILLIAM T. POUND,
Executive Director National Conference of state Legislatures.
LARRY E. NAAKE,
Executive Director National Association of Counties.
DONALD J. BORUT,
Executive Director National League of Cities.
DANIEL M. SPRAGUE,
Executive Director Council of State Governments.
J. THOMAS COCHRAN,
Executive Director U.S. Conference of Mayors.
ROBERT O'NEILL,
International City/County Management Association.

TABLE 2.—STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, FISCAL 1979 TO FISCAL 2003

[Amounts in percent]

Fiscal year	State General Fund	
	Nominal increase	Real increase
2003	1.3	0.4
2002	1.3	0.4
2001	8.3	4.0
2000	7.2	4.0
1999	7.7	5.2
1998	5.7	3.9
1997	5.0	2.3
1996	4.5	1.6
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	−0.7	−6.3
1982	6.4	−1.1
1981	16.3	6.1
1980	10.0	−0.6
1979	10.1	1.5
1979–2003 average	6.5	2.1

Notes.—The state and local government implicit price deflator, as cited by the Bureau of Economic Analysis on October 2002, is used for state expenditures in determining real changes. Fiscal 2001 figures are based on the change from fiscal 2000 actuals to fiscal 2001 preliminary actuals. Fiscal 2002 figures are based on the change from fiscal 2001 preliminary actuals to fiscal 2002 appropriated.

Source: National Association of State Budget Officers.

Mr. CHAMBLISS. Mr. President, I rise today to speak on S. 1054, the Jobs and Growth Reconciliation Tax Act of 2003.

This debate on the tax reconciliation bill is necessary and long overdue. I think it is clear that Members on both sides of the aisle agree that our economy is struggling and a growth package is desperately needed. However, there are wide differences of opinion on the contents of the best package and the best way to implement it.

I am, and always have been, a proponent of the President's original growth package of $726 billion. Implementing the President's proposed bill would create millions of jobs, increase the gross domestic product, GDP, and personal income, and in the process, stimulate overall growth of our Nation's economy.

My home State of Georgia would reap overwhelming benefits from the President's proposal if enacted into law. For instance, between 2004 and 2008, 26,720 additional Georgia citizens would secure jobs; Georgia taxpayers would average $4.2 billion more in disposable income per year; and Georgia taxpayers would average $2.2 billion more in personal saving per year.

Between the President's proposal, the House-passed bill and the Senate bill, the Senate bill of $413 billion, which is loaded with tax hikes in the form of offsets, is by far the weakest of the three bills. This bill will do little to stimulate the economy and provide almost no tax relief to the millions of Americans who seek it. While many of the tax reducing provisions contained within this bill are worthwhile and sound, now may not be the best time to go forth with them given the state of our economy and the increasing budget deficit.

Tax cuts will significantly improve the American economy, but only if Congress makes wise decisions about which taxes to cut and how to cut them. Addressing the double tax on dividends is a big step in the right direction, but the economy will not reap major benefits unless the tax is reduced in an economically beneficial manner.

Several proposed amendments will strengthen this bill, but it has a long way to go for it to be in a form that will truly stimulate the economy and create jobs.

I will vote for the passage of this bill, but only for the sake of advancing the process and moving the bill to conference so that it can be improved. Should this bill come out of conference looking much like it does now, I will most likely oppose final passage of the growth and economic stimulus bill.

Mr. LEAHY. Mr. President, I rise today to oppose the tax reconciliation bill being considered by the Senate today. This tax cut bill is not fiscally responsible. When President Bush entered the White House our country enjoyed a record budget surplus. The fiscal irresponsibility of this administration quickly turned that surplus into record deficits. Now this bill will bring our country further into debt, cause more hard working Americans to lose their jobs, and put a greater share of the tax receipts in the pockets of our country's most privileged.

I have several concerns about the bill before us. First, these tax cuts are tilted even more heavily to the very wealthy than the tax cuts the President championed in 2001. Just look at the rate reductions. For three income brackets, rates would drop by 2 percentage points, but the top rate falls by 3.6 percentage points. While the 2001 bill calls for marriage penalty relief beginning in 2004, the Senate rejected an amendment offered by Senator JEFFORDS to provide immediate marriage penalty relief to those who qualify for the earned-income tax credit. Sadly, this administration has chosen to support tax policies where people making over $1 million will reap enormously, while working families will receive very little tax relief.

Second, these plans have taken tax gimmickry to a whole new level by pretending that most of the provisions will expire after just 3 years, at the end of 2005. By doing so, this bill attempts to jam in as much of the President's dividend tax proposal as they can into the Senate's $350 billion limit at the expense of more reasonable tax cut provisions aimed at low- and middle-income working families. It is obvious that proponents of these tax cuts have no intention of allowing any of these provisions to expire and in fact will come back to this floor again and again asking for them to be made permanent. Instead of acting in a fiscally responsible manner, they are masking from the American people the true, astronomical costs of this bill.

Third, these cuts will push our country deeper in debt. The nonpartisan

Congressional Budget Office has estimated that the President's full tax cut would add $2.7 trillion to the deficit through 2013. At the same time the administration is pushing for Congress to pass a $1 trillion increase in the Federal debt limit that does not account for additional tax cuts. I do not think we can afford another large tax cut at this time until we get our own fiscal house in order.

Clearly, this tax cut plan is not about growing the economy or creating jobs. It is about starving the Government and wooing some voters. In fact, leading economists have stated repeatedly that the elimination of taxes on dividends paid to investors—the centerpiece of the President's tax cut proposal—would do very little to spur economic growth or reduce the Nation's jobless rate.

In 2001, I voted against the Bush tax cut bill because it was too skewed toward the wealthiest Americans and too fiscally irresponsible. Since then, we have gone from record surpluses to record deficits, and the economy is still floundering. Passing another enormous tax cut this year will only continue this trend and increase the economic problems that our children and grandchildren will inherit.

Earlier this year, the President said we should not pass our fiscal problems onto future Presidents, Congresses, and generations. I agree with him. Unfortunately, this tax cut bill will drive us deeper into debt and will do exactly what the President says we should avoid, burden our children.

While the promise of another tax cut sounds great, I am not going to ask my children and grandchildren and everyone else's children and grandchildren to pay for it. It is not right. It is not fair. And it is not the American way.

Mr. GRASSLEY. Mr. President, it has come to my attention that certain provisions of S. 1054 have engendered concern in the equipment leasing industry. I recognize that assets used by vital American industries are often lease-financed. It is not the intention of the Senate or Committee on Finance to impede legitimate leasing transactions. I wish to assure the markets that in any final legislation, the tax incentives utilized in leases that are considered appropriate under current law will be maintained.

Mr. BAUCUS. Mr. President, earlier today my colleague on the Finance Committee, Chairman GRASSLEY, offered an amendment to S. 1054, the pending tax bill, to improve Medicare funding for rural patients and providers. I supported the amendment, which passed, 86–12.

Many of the Grassley amendment's provisions were taken from S. 3018, Medicare legislation Senator GRASSLEY and I introduced legislation last year. Many of those provisions were also included in the Senate Rural Health Caucus bill, which I support. And several of the provisions have been recommended by the Medicare Payment Advisory Commission (MedPAC), which advises Congress on Medicare payment policy.

Taken together, these changes—including an equalization of the hospital base payment amount, changes to the Critical Access Hospital program, and language to improve access to physician care in rural areas—will go a long way toward ensuring greater geographic equity in Medicare reimbursement.

That said, I believe the way in which the Senate passed these provisions—as an amendment to tax legislation—is far from perfect. A Medicare bill, debated in the Finance Committee, is the proper vehicle for changes to the Medicare law, and I would have preferred that these provisions be considered in that manner.

A full debate in the Finance Committee will allow senators to exchange views and advocate changes they believe are important for Medicare. A debate in the Finance Committee will allow Medicare stakeholders an opportunity to share their views as well. Whether with respect to spending or offsets, the Committee should have the opportunity to consider all of those views fully.

For example, while the provisions in the Grassley amendment are important, they do not represent a full list of Medicare changes I would like to see. Most notably, the amendment does not address Medicare's most severe inadequacy: the lack of an outpatient drug benefit. Further, the amendment does not address many concerns facing Medicare's various payment systems, including payments for physicians, nursing homes, teaching hospitals and hospital outpatient departments, to name a few.

As for offsets, the Grassley amendment included three: a freeze in Medicare DME payments; establishment of copayments and deductibles for Medicare outpatient laboratory services; and reductions in payment for Medicare Part B-covered drugs. These offsets are not without controversy.

For example, while independent experts agree that Medicare overpays providers for Part B drugs, agreement is less apparent on the proper payment providers should receive for the administration of these drugs. And while it is true that lab services are nearly unique in not requiring coinsurance under Medicare, it's also true that lab services are less discretionary than many other Medicare-covered services.

Debate in the committee—as we recently had on the tax bill—is important to the legislative process. I urge Chairman GRASSLEY to hold a markup on Medicare legislation, so that changes to Medicare—including enactment of a Medicare drug benefit—can be considered in the appropriate manner.

The PRESIDING OFFICER. Under the previous order, the clerk will read the bill for the third time.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of H.R. 2 which the clerk will report.

The legislative clerk read as follows:

A bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004.

The PRESIDING OFFICER. Under the previous order, all after the enacting clause is stricken and the text of S. 1054, as amended, is inserted in lieu thereof.

The clerk will read the bill for the third time.

The amendment was ordered to be engrossed and the bill to be read a third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill, as amended, pass?

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The clerk will call the roll.

The result was announced—yeas 51, nays 49, as follows:

[Rollcall Vote No. 179 Leg.]

YEAS—51

Alexander	DeWine	McConnell
Allard	Dole	Miller
Allen	Domenici	Murkowski
Bayh	Ensign	Nelson (NE)
Bennett	Enzi	Nickles
Bond	Fitzgerald	Roberts
Brownback	Frist	Santorum
Bunning	Graham (SC)	Sessions
Burns	Grassley	Shelby
Campbell	Gregg	Smith
Chambliss	Hagel	Specter
Cochran	Hatch	Stevens
Coleman	Hutchison	Sununu
Collins	Inhofe	Talent
Cornyn	Kyl	Thomas
Craig	Lott	Voinovich
Crapo	Lugar	Warner

NAYS—49

Akaka	Durbin	Lieberman
Baucus	Edwards	Lincoln
Biden	Feingold	McCain
Bingaman	Feinstein	Mikulski
Boxer	Graham (FL)	Murray
Breaux	Harkin	Nelson (FL)
Byrd	Hollings	Pryor
Cantwell	Inouye	Reed
Carper	Jeffords	Reid
Chafee	Johnson	Rockefeller
Clinton	Kennedy	Sarbanes
Conrad	Kerry	Schumer
Corzine	Kohl	Snowe
Daschle	Landrieu	Stabenow
Dayton	Lautenberg	Wyden
Dodd	Leahy	
Dorgan	Levin	

The bill (H.R. 2), as amended, was passed.

(The bill will be printed in a future edition of the RECORD.)

Mr. GRASSLEY. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order with respect to S. 1054 be modified to allow for the following conferees: Senators GRASSLEY, HATCH, NICKLES, LOTT, BAUCUS, ROCKEFELLER, and BREAUX.

The VICE PRESIDENT. Without objection, it is so ordered.

Under the previous order, the Senate insists on its amendment, requests a conference with the House on the disagreeing votes of the two Houses, and the Chair appoints conferees as specified on the part of the Senate.

Thereupon, the Vice President appointed Mr. GRASSLEY, Mr. HATCH, Mr. NICKLES, Mr. LOTT, Mr. BAUCUS, Mr. ROCKEFELLER, and Mr. BREAUX conferees on the part of the Senate.

CHANGE OF VOTE

Mr. BIDEN. Mr. President, on rollcall vote No. 162, I voted nay. It was my intention to vote yea. I ask unanimous consent that I be permitted to change my vote to yea, which was the Landrieu amendment, since it will not affect the outcome of the vote.

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

(The tally has been changed to reflect the above order.)

UNITED STATES LEADERSHIP AGAINST HIV/AIDS, TUBERCULOSIS, AND MALARIA ACT OF 2003—Continued

Mr. REID. Mr. President, what is the regular order?

The PRESIDING OFFICER (Mr. COLEMAN). H.R. 1298.

Mr. REID. Is that the global AIDS bill?

The PRESIDING OFFICER. Yes, it is.

Mr. REID. I ask unanimous consent that the Feinstein amendment be next in order and there be 20 minutes equally divided in the usual form.

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

The Senator from West Virginia.

Mr. BYRD. Mr. President, may I inquire of the leadership how much longer the leadership expects to keep us in session today?

I inquire of the leadership as to how much longer the Senate will be in session today. It is now 22 minutes until the hour of midnight.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. LUGAR. Mr. President, I respectfully respond to my colleague that clearly we can pass the bill now, and that would end the session. I would hope we would do that. If Members wish to continue offering amendments, I will do the best I can to encourage each amendment be defeated so we will have a clean bill.

In any event, I hope it will not be long, and with the cooperation of all Members we can expedite it.

The PRESIDING OFFICER. The majority leader.

Mr. FRIST. Mr. President, I reiterate what the chairman of the Foreign Relations Committee said. As I said at the outset of this week and through this week, the intent is to finish this bill this week. A number of Members on both sides of the aisle have requested that we continue. If we are going to finish this bill, which we will, we will finish it tonight. The plans are to finish the bill tonight. I know there are a number of amendments. As my colleagues can see from the amendments so far, the expectations are that we will be able to defeat each amendment as it comes forward.

I encourage the other side of the aisle to look at the amendments. I do not believe we have any amendments on our side of the aisle. I encourage the other side to look at their amendments. This is the first step, at least from my standpoint, in addressing this complex issue. We are taking advantage of an opportunity at this point in time to move forward in the best interest of the United States with the global health community.

I can tell the Senator this is not the bill I started with, and myself, Senator KERRY of Massachusetts, and a number of us have worked on a whole range of bills—the Lugar-Biden, Biden-Lugar bill. We are going to have plenty of opportunity to address this issue. This little virus, I have said again and again, is going to be with us for the next 30 years. Even if we invent a vaccine tomorrow, we will have plenty of opportunity to refine this bill or the framework upon which this bill was started at a later date.

I again encourage all people who are considering amendments to not offer those amendments. Our intent is to defeat each one. I remind everybody, this is a bipartisan bill.

It did come from the House of Representatives, built on lots of other bills on which we have been working, and only one Democrat and a handful of Republicans voted against this bill. Therefore, I encourage our colleagues to withdraw amendments.

We will be working together in a bipartisan fashion to improve this fight against a devastating virus. The intent is to complete this bill tonight.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. If the majority leader will yield, would the majority leader seek to ascertain how many amendments will indeed be called up yet?

Mr. FRIST. Mr. President, indeed I hope the managers can agree on a list of amendments. Again, I know a lot of people—we have been working on colloquies, and we will continue to do that, if necessary, to show what our intent is. Again, I am not sure if a final list has been settled upon. I encourage it to be as small as possible. I inquire of the other side.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. Mr. President, we are working on a definitive list as we speak. There are some amendments that may only require a voice vote, but at this point there are at least three or four amendments that may require rollcalls but with very short time limits. I know of no one on our side requesting more than 10 minutes in an effort to offer their amendments. So we should be able to move these quickly.

Mr. FRIST. Mr. President, I do not believe we have any amendments on our side to be offered tonight. I encourage my colleagues to yield back time, again after careful explanations on their amendments so people know what they are voting on, but yield back time accordingly.

I ask unanimous consent that all rollcall votes be 10 minutes.

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

Mr. BYRD. Mr. President, will the leadership try to determine how many amendments are really going to be called up? We have cast 30 or 31 rollcall votes already today. It is now 17 minutes until midnight. We used to ask for a show of hands as to which Senators were serious about calling up amendments, and I would hope the leaders would do that. I would like to stay around and finish action on the bill, but I am not bound to do so. If we are going to have several, I will ask unanimous consent for a leave of absence from the Senate for the rest of the evening and be on my way home.

I would love to stay around and finish voting with other Senators. I do not want to presume to be the leader tonight, but I have been known to ask other Senators for a show of hands as to which Senators were serious about calling up amendments.

The PRESIDING OFFICER. The majority leader.

Mr. FRIST. I respond by saying I am scared to death to ask the other side how many amendments we actually have. We heard from the Democratic leader that there are four amendments that will likely require rollcall votes.

From our side of the aisle, we have no amendments. We made it very clear what our strategy is, and that is to defeat the amendments. Why? Because it is the clearest way to help the hundreds of thousands of people who we know will benefit if we pass this bill tonight and get it to the G–8 so that the President can use it appropriately.

The PRESIDING OFFICER. The Democratic leader.

Mr. DASCHLE. I suggest we get on with these amendments. The sooner we do so, the sooner we will finish.

Mr. BYRD. I ask unanimous consent that I be granted a leave of absence for the remainder of the evening.

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

The Senator from California.

AMENDMENT NO. 682

Mrs. FEINSTEIN. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from California (Mrs. FEINSTEIN), for herself, Mr. LEAHY, Mrs. CLINTON, Mr. DURBIN, Mr. JEFFORDS, Mr. HARKIN, Mr. LAUTENBERG, Mr. REID, Mr. SCHUMER, Mr. CORZINE, Mrs. BOXER, Mr. FEINGOLD, and Mr. BIDEN, proposes an amendment numbered 682.

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