So a regular guy from my district has a personal retirement account. That is why I am so optimistic about what we are trying to do here in Congress, the type of reforms that we are trying to achieve, with personal ownership, a new retirement system that enables people personal ownership and allows them to pass on to their heirs if they do not spend all the money, to pass on to their heirs if they do not make the retirement age. These are wonderful opportunities for us to give to all Americans, all walks of life.

Mr. Speaker, do you know what? When Dave Roland makes his money and gets his check at the end of the week or the end of the month, it is his money. It is his money. Thankfully, he has a personal retirement account that he still controls and still owns, because it is his money.

That is what we are trying to do with personal retirement accounts, to give personal ownership, that level of inheritability to pass onto your heirs, that personal freedom, while at the same time having it well-regulated, operating very similar to the way Social Security does today, meaning the money is taken out of your check, you are obligated to be a part of the Social Security system, and that the investments will be well-regulated, the risks minimized.

What is fascinating, though, is there have been studies done on the stock market. There are some left-wing liberals that will tell you we should not invest in the stock market. I think we have gotten great rates of return in the stock market. We have gotten a better rate of return certainly than any government program can give.

Certainly I would like to be concerned about the rising tide in our Nation, to make sure that all Americans have that same ability to improve their life, to have personal ownership, personal savings and be a part of our marketplace, be a part of our marketplace.

I will tell you this: Some say the stock market is risky.

□ 1945

Over the last 200 years, the average rate of return in the stock market has been 7 percent. Now, that is over three times the best rate of return for Social Security. In any 20-year period in American history, the stock market has never gone down. Even during the Great Depression in the 1930s and the 1940s, the stock market did not go down. It had a positive return.

So we want to give all Americans, Mr. Speaker, that opportunity. We have a moral obligation as a Congress to take on this issue, to solve this problem, not just for a few years, not just push the problem back to another Congress another day; but we have a moral obligation to do what is right for our constituents and do what is right for all Americans, and allow them to have a better system to operate for their retirement savings, not just for the next couple of years, but for generations to come. And with personal accounts, without raising taxes, and while maintaining our commitment to those who are at or near retirement age, we can do this as Americans.

We are not going to let those on the other side of the aisle just deny that there is a problem. That, in fact, is denying reality. And do not believe, Mr. Speaker, and do not allow the American people to believe that there is not a problem. This is an issue we have to take on as a Nation, and we are going to take it on. It is going to be the Republican Congress that takes this on. We are hopeful that some Democrats will come to the reality that there is a problem and that the right thing to do is to tackle it now instead of pushing it off to another day.

I appreciate this time to speak about this need for Social Security reform.

## THE NEED FOR TAX REFORM

The SPEAKER pro tempore (Mr. GOHMERT). Under the Speaker's announced policy of January 4, 2005, the gentleman from Maryland (Mr. HOYER) is recognized for 60 minutes as the designee of the minority leader.

Mr. HOYER. Mr. Speaker, I rise to speak about tax reform and tax simplification, but one of our newest Members has had the opportunity to have the floor for the previous hour and talk about Social Security. I know that he is very worried about Social Security and, as a result, has been addressing that. But I am constrained to say that he talked about personal accounts with reference to Social Security. Of course, what he did not say is that Social Security has nothing to do with the solvency of Social Security. He talked about a moral responsibility. The President of the United States and his party indicated they were not going to spend any money of Social Security. In fact, in the last 4 years, they have spent and continue to spend every nickel of Social Security. I am sure my young friend will acknowledge that point at some point in time, but that is not the subject tonight of our Special Order.

Mr. Speaker, the one thing that millions of Americans will not be saying at the end of this week is, TGIF, thank goodness it is Friday. Friday is the day, of course, April 15, the annual deadline for filing Federal income tax returns, a duty of citizenship that provokes anxiety, confusion, and, yes, even anger in many taxpayers every year. Without question, the Internal Revenue Code has become a maze of complexity that confounds millions of Americans, including, I think, all of us who will speak. It treats many taxpayers unfairly; and it creates an opportunity, some would say an incentive, for those who would exploit its complexity to avoid compliance, thus placing an unfair share on others.

As Nina Olson, Mr. Speaker, said, the National Taxpayer Advocate stated in December in her annual report to Congress: ''The most serious problem facing taxpayers and the IRS alike is the complexity of the Internal Revenue Code. The only meaningful way to reduce these compliance burdens is to simplify the Tax Code enormously.'' So said Nina Olson, the National Taxpayer Advocate.

All of us, of course, bear some responsibility for the complexity of our Tax Code, Democrats and Republicans and every American who believes that the tax preferences that he or she utilizes are worthwhile. Considered individually, the tax preferences that clutter the code certainly can be rationalized and explained. Collectively, however, they are a jumble of confusion that have a corrosive effect on our democracy.

As Paul O'Neill, the former Secretary of the Treasury said, ''One of the unseen consequences of the Tax Code's complexity is the sense it leaves taxpayers that the system is unfair, and that others pay less tax because of special advantages.'' Almost every American, I think, feels that, including those who take special advantage.

A few facts illustrate the scope of the problem, Mr. Speaker. In 1913, the Tax Code was a mere 500 pages in length. Today, the code and regulations total more than 60,000 pages. Four common forms, form 1040 and schedules A, B, and D, take an estimated 28 hours and 30 minutes to prepare. Think of that. They are relatively simple forms. When the IRS started tracking this information in 1988, the average paperwork burden was 17 hours and 7 minutes, about 11 hours less. Even the simplest form in the IRS inventory, a 1040 EZ, perhaps misnamed, now requires 3 hours and 43 minutes for the average taxpayer to prepare, up from 1 hour and 31 minutes in 1988.

Complexity costs more than $100 billion. That cost is in accounting fees and the value of taxpayers' time to complete their returns. This is roughly equivalent to what we spend to run the Department of Education, Homeland Security, and State. Think of it: the cost of complexity for our taxpayers, $100 billion more than we spend on the Department of Education, Homeland Security, and the Department of State. Not surprisingly, Mr. Speaker, more Americans than ever rely on tax professionals. I know I do. Nearly 60 percent rely on tax professionals today compared to 48 percent in 1990.

If the administrative burden does not convince you that reform is crucial, the crisis in noncompliance should. The IRS has estimated there is a $311 billion annual tax gap due to underreporting, underpayment, and nonfiling. Think of that, $311 billion. The bad news is that the budget deficits we are running up under this administration and the Republican leadership this coming year will be over $400 billion. So even if we collected every nickel of that that was due and owing, we still would not solve our budget deficit, but it would help.

Now, leaders in the Republican Party have repeatedly proclaimed their commitment to tax reform and simplification. We have heard that. The party that wants to bring down taxes wants to simplify the code. Both of us can share that objective. However, let us look at the facts.

The gentleman from Texas (Mr. DELAY), the House majority leader, stated in April of 2001, ''We are pushing forward with our campaign to reform the Tax Code. We are making it fairer, flatter, simpler, and less burdensome to the American people.'' That is what the gentleman from Texas (Mr. DELAY) said in 2001, that they were making the Tax Code fairer, flatter, simpler, and less burdensome. But the facts, unfortunately, and no one should glory in these facts, but, unfortunately, the facts say otherwise. Republican tax bills during the last 4 years have added, added more than 10,000 pages to the code and regulations. In fact, during the 108th Congress, the Republicans orchestrated nearly 900 changes in the Tax Code.

Now, those of us that have been here as long as the gentleman from Massachusetts (Mr. NEAL) and I will remember passing a tax reform package which was designed to protect the taxpayer. And a report of our colleague, our Republican colleague, the gentleman from Ohio (Mr. PORTMAN), who is now going to be our trade negotiator, that report said that one of the things that Congress had to stop doing if the IRS was going to be able to efficiently and effectively administer the Tax Code was to stop changing it every year. We have changed it every 4 years of this administration. And, of course, today on the floor of the House of Representatives, we changed it again. We made it more complex. In fact, many of us argued that what we did was really raise the taxes on really thousands of farmers and small business people as a result of the change we made.

Just one bill, the Republicans' so-called American Jobs Creation Act, resulted in 561 changes to the Tax Code, requiring more than 250 pages of tax law changes. Is it any wonder why it takes Americans so long to fill out their forms? The Joint Economic Committee notes how this one new law will require more than 10 percent of all small businesses to keep additional records, result in more disputes with the IRS, increase tax preparation costs, and require additional complex calculations.

Clearly, our tax system must be made simpler, fairer, and more efficient for the sake of every American, for every family.

Now, there are some people, frankly, who are wealthy and can afford unlimited accounting services to make sure that they take every advantage of the Tax Code, but the overwhelming majority of Americans are not in that position. Because of that, it is incumbent upon the Congress of the United States and each one of us individually to ensure that the Tax Code is fairer, simpler, and more efficient and that Americans can understand it and take much less time to fulfill their obligations to their country.

I think President Bush has taken an important first step in this effort by appointing the bipartisan Advisory Panel on Federal Tax Reform. I applaud him for doing that. It is chaired by former Senators Connie Mack, who served in this body as well; and John Breaux, who also served in the House of Representatives.

The panel, in my opinion, must present options for reforming the Internal Revenue Code. The requirement to do so is prior to July 31. I am hopeful that Congress can act on this important issue during the 109th Congress. I believe there is an increasing momentum, Mr. Speaker, among taxpayers for real reform; and Democrats intend to join and lead this fight. Democrats want to see reform to the Tax Code. Democrats are committed to a fairer, simpler, more efficient Tax Code.

For example, we need to diffuse the middle-class time bomb, the alternative minimum tax. Now, the alternative minimum tax was adopted for people who were making hundreds of millions of dollars, corporations making hundreds of millions of dollars, maybe billions, but were paying no taxes at all. So what the Congress said some decade and a half ago, was that, look, everybody in our country needs to contribute to its defense and its support. Therefore, we will have an alternative minimum tax.

That was never intended to adversely impact middle-income earners, not in the million dollar category, but far less than that. It was not intended for them. But Americans are now finding, two-earner families doing reasonably well, but just making their college tuition payments for their child, paying for their cars so that they can get to and from work, and paying for their mortgage payment because maybe they had to get a new house and housing prices have gone up; they are not having an easy time, and what they are finding now is they are getting caught in the web.

We should have fixed this 4 years ago. We should have fixed it 3 years ago. We should have fixed it 2 years ago. We should have fixed it last year. We should fix it this year. We are not going to. The President has not proposed fixing it, and the Republicans do not want to fix it either. Why? Because it is a secret stealth tax increase on middle-income and upper-middle income Americans.

□ 2000

That is why we do not fix it, so that the majority party can posture that they are cutting taxes while at the same time raising taxes. The AMT, or the Alternative Minimum Tax, will hit an estimated three million taxpayers this year, requiring them to pay $6,000 or more on average than they would otherwise owe, and which, when this was adopted, was not intended to have any effect on them. And the number of taxpayers subject to this tax will explode.

Listen to this, my friends. All of our constituents ought to know this. It will go from the three million who are adversely affected today to 35 million taxpayers.

Now let us say, just for the sake of argument, that there are only 15 million families there. So 50 million families, in other words, 35 million taxpayers who have a wife and children, so maybe as many as 50 or 60 million people, 35 million taxpayers will be included in the provisions of the Alternate Minimum Tax by 2010.

Furthermore, Mr. Speaker, because the AMT was not indexed for inflation, that is the way we could have protected the middle-income folks, we did not do it. We should be doing it now. We should have done it in 2001, we should have done it in 2002, we should have done it in 2003, we should have done it in 2004, and we should have done it this year. We are not doing it. It ensnares more and more middle-income taxpayers because it was not indexed.

We also, Mr. Speaker, need to take a hard look at moving toward a return-free income tax system, a system that would say to most taxpayers, you do not have to get involved in paperwork. Here is the deal. You can file very easily because the tax system will be much simpler and much fairer.

Think how much better Americans would feel, not that they are going to feel great about paying their taxes. None of us feel great about paying our taxes. But all of us understand, as a democracy, that it is necessary if we are going to have a national defense and if we are going to have other services in this country.

We need to simplify, Mr. Speaker, as well tax rules for small businesses. No reason small businesses ought to be under a mountain of rules and regulations and tax requirements. We ought to stop individuals and corporations, however, from gaming the system, which means that small businesses and individuals have to pay more than their fair share. We need to consider overhauling the corporate income tax and focus on eliminating tax breaks that actually encourage American companies to move jobs overseas.

The gentleman from Massachusetts (Mr. NEAL) has been very involved in this entire issue, and perhaps he will discuss it when I yield to him. Overseas, rather than giving tax incentives to corporations and businesses, to create and keep jobs here in America for Americans.

The American people are acutely aware of the unnecessary complexity and dire need for real tax reform in America today. The Republican party has not led on this issue. And the President can call a commission together, but for 5 years they have taken

no action. The American people need and deserve a tax system that is simpler, fairer and efficient.

I would like to yield now to some of my colleagues who are here. The gentleman from Georgia (Mr. SCOTT) has been here for a long time waiting to speak, and I thank him for being here. I yield to the gentleman from Georgia.

Mr. SCOTT of Georgia. Mr. Speaker, I want to just, first of all, thank our distinguished Minority Whip, the gentleman from Maryland (Mr. HOYER) for the distinguished leadership that he has been providing on this issue.

Mr. Speaker, I rise today to discuss what is one of the what I call tragic burdens, one of the greatest tragic burdens on the American family, and this is the costly, complex Tax Code. This Friday, April 15, is tax day for millions of Americans who will spend countless hours this week trying to comply with our unbelievably complex tax laws.

At the outset, I want to make something very clear, Mr. Speaker, to the American people tonight. Let me make it clear that it is Democrats who you will see tonight who are taking the leadership. It will be Democrats on this floor of the Congress tonight who are taking the leadership to make our tax system fairer, less complicated, and simpler.

Now we all know that over the last 4 years this government has been getting bigger under the Republicans. The deficits have soared under the Republicans. Social Security is coming under direct attack and attempting to be dismantled and privatized by the Republicans. And our tax system has gotten more complicated, more unfair and complex under the Republicans.

There has been a growing unfairness in the Tax Code and an astronomically exploding national debt, trillions upon trillions of dollars, and growing each year.

But, Mr. Speaker, it is Democrats who are here tonight providing the leadership for tax fairness, for tax relief, for tax simplification and, most importantly, for reducing taxes on working American families.

Americans are double-taxed by the time and expense that it takes to do their taxes. For example, individuals, businesses, tax-exempt public and private entities spend nearly 6 billion hours complying with the Tax Code.

Nearly 60 percent of taxpayers currently use a tax professional to prepare their taxes, compared to only 40 percent in 1990. A typical taxpayer knows that a competent tax professional does not work for free, so it is costing taxpayers an estimated $100 billion each year in accounting fees and the value of their time to complete their tax returns.

Now, Mr. Speaker, I am reading a very interesting book by Thomas Friedman, and it is called ''The World is Flat''. And in this book, he talks about a phenomenal situation that takes place largely because of the paperwork and the complexity of our tax returns and preparing them.

He points out very clearly in a chapter called ''While I Was Sleeping'' that over in India a burgeoning industry is taking place, preparing Americans' taxes, outsourcing jobs. In 2001, it was 50,000; 2002, it was 100,000; 2003, it was 400,000; and 2005 it is projected to be over one million. Not just jobs, but our precious preparation of our taxes being outsourced.

I am here to tell you that our failure to simplify our Tax Code is causing a major transformation of our accounting profession. Taxpayers are losing money due to the complexities of the system.

The Government Accountability Office estimates that Americans overpay their taxes by an estimated $1 billion a year because they fail to claim deductions. About a quarter of Americans who are eligible for the Earned Income Tax Credit fail to claim it due to complexities.

Mr. Speaker, this is terrible. It is a tragedy, and we must make our Tax Code easier for the American people, make it easier for them to figure it out.

As an entrepreneur who started a successful small business, I was not surprised to learn that the IRS estimates that the average self-employed taxpayer has the greatest compliance burden of almost 60 hours to prepare his or her taxes. It is no wonder that small business owners overpaid their taxes by $18 billion in 2000 and 2001, according to the GAO.

This is unacceptable, Mr. Speaker. We do not need to take this any further. Considering these statistics, is it any wonder why 70 percent of Americans recently polled believed their Federal taxes are too complicated?

In that same Associated Press poll, about half of the respondents would prefer to visit the dentist than prepare their taxes.

Another tax problem that Americans will discover is, as our distinguished leader, the gentleman from Maryland (Mr. HOYER), pointed out, that the Alternative Minimum Tax which will have to be paid by nearly 3 million taxpayers this year, that number will explode to 30 million by 2010 according to the Congressional Budget Office. By 2010, the AMT will ensnare one-third of all households and 97 percent of families with two children and incomes between 75,000 and 100,000, according to the Brookings Institute.

Now, in January our distinguished President announced the establishment of a bipartisan panel to provide alternatives to simplify the Tax Code, which I certainly join with my leader in commending him. This advisory panel will submit to the Secretary of the Treasury a report of its recommendations by July 31, 2005; and I hope that the advisory panel will consider tax fairness as well as tax simplification. And let us all work together. The current Tax Code is riddled with special advantages for various subgroups of business people.

Mr. Speaker, I serve on the Financial Services Committee, and I am deeply worried about the finances of our country. A simplified Tax Code would reduce tax cheaters and cut down on compliance expenses for all taxpayers. I believe that it is time for Congress to clean up this Tax Code and provide some relief to families and small businesses.

Yes, we Democrats are taking the leadership on this as you see tonight. But this is bipartisan. The American people are looking for Democrats and Republicans to join together and make our tax preparation simple, easy to understand. The American people deserve this, and the American people are going to get it with us working together to bring tax relief, to bring tax simplification of the Tax Code to the American people.

Mr. HOYER. I thank the gentleman from Georgia for his remarks and for his restating the commitment the Democrats have to ensuring that Americans get a fairer, simpler and more efficient tax system that treats them fairly and treats everybody else fairly as well.

Now it is my great pleasure, Mr. Speaker, to introduce or to yield to one of the senior members of the House of Representatives, the distinguished gentleman from Massachusetts, mayor of his town before he came here, and as a member of the Ways and Means Committee has been in the leadership of opposing complicating the Tax Code, opposing making it less fair and opposing tax legislation which sent jobs overseas. He has been a true giant in the leadership on this effort, and I am pleased to join with him in this effort that we join tonight. I yield to the gentleman from Massachusetts (Mr. NEAL).

Mr. NEAL of Massachusetts. Mr. Speaker, I want to congratulate the gentleman from Maryland (Mr. HOYER) and thank the other members of the team that have assembled tonight for the purpose of discussing what we can do to simplify the Tax Code for the American people.

Mr. Speaker, we argue frequently in this institution about tax cuts. In fact, this afternoon we came up with an estate tax cut that only further complicates the tax system. And indeed we ought to be called the House of Lords here for what we did today. We have created a system of peerage now. You can pass on money in this instance, vast sums, without any qualms. We can take care of Paris Hilton, we can take care of the idle rich, but we cannot address the issue in a forthright manner about Social Security or we cannot make sure that those Humvees arrive in time for our young men and women who serve us with great honor every day in Iraq and Afghanistan or to make sure that they have the necessary equipment. And as they return home we are asking now for a copay on veterans services at Veterans hospitals.

But what is striking about this, in a town that often talks about tax cuts,

we could quite easily, Republicans and Democrats working together, do something that everybody in America desires, and that is a simplification of our Tax Code.

People really have to believe in their tax system. They have to believe that there is an equitable distribution of the burden, but there is also an important investment based upon the potential achievements that come from us paying our taxes.

Now, I notice that the first two speakers were very bipartisan in their commentary about how we might get to the starting line. But let me be just a little bit more discerning, offer a little bit more scrutiny of what has happened here during the last 10 years.

Now, if you recall, when the Republicans came to majority status here, they promised, and the former chairman of the Ways and Means Committee very clearly stated, and I quote, they were going to pull the Tax Code up by its roots.

□ 2015

They were going to rip the Tax Code up by its roots. We were all going to a long funeral for the Tax Code. And they were going to give us a flat tax. They were going to give us a consumption tax. We are no closer to a flat tax or a consumption tax than we were when they started. In fact, the reality is that they have not backed up their words with action.

The Tax Code today is more complicated than ever, and the very people on the Republican side who denounce the Tax Code's complexity are the ones that put together what they now call a convoluted monstrosity. They put it into effect.

The law that Republicans criticize today was part of their 2001 tax bill that a Republican-controlled White House sent to a Republican-controlled House and then to a Republican-controlled Senate. So the Republicans controlled the conference committee. They negotiated the final version of the bill. They provided almost all of the votes for the plan, and now there is even a Republican administration that administers the Internal Revenue Service, and we are no closer to simplification.

That is one of the reasons that we voted against the tax bill on our side, but let me tell you what the 2001 law did. It added 214 million hours to the paperwork burden for United States taxpayers in 2001 alone. It led to an explosive growth of the Tax Code. The Tax Code has expanded from 500 pages in 1913 to 45,662 pages in 2001 to 60,044 pages today.

Think of it: 60,000 pages and almost 15 percent, one quarter of those 60,000 pages have come into effect during these last 4 years. Think about that: 15,000 new pages of tax laws from the same people who rail against tax complexity. It is breathtaking in its audacity.

But do we have time in this institution to address the Bermuda tax issue? No, we do not. I remind the American people tonight that for the cost of $27,000 you can open a post office box on the island of Bermuda, declare that you are a corporate citizen of Bermuda while those 146,000 soldiers are in Iraq and say that your citizenship belongs to Bermuda, thereby escaping the responsibility and obligations that we have in America to those young men and women in uniform.

Well, they have controlled this Congress for 10 years, 10 years; they said they were going to do something about the Tax Code.

Well, let us talk about alternative minimum tax. They have done nothing about alternative minimum tax. It is creeping up across the board on the American people. I have asked for hearings time and again on alternative minimum tax.

Let me announce this to the American people tonight one of the best things about this debate, as a Democrat from Massachusetts, I have proposed eliminating, getting rid of the alternative minimum tax. I want to congratulate the Republicans for one thing. Seldom have I ever been part of any legislation where I got more pats on the back on their side or words of encouragement and fewer votes. Fewer votes. They will encourage me, say keep up the battle. Stay with it. Stay after it. And then I will say, let us have an up-or-down vote on getting rid of AMT, alternative minimum tax.

If you are watching tonight and you take advantage of the Hope tax credit or the child tax credit, you bump into a whole new category of taxation. When that individual finds out what is about to happen on Friday or if they picked up their taxes during the last few days or weeks, they are going to be pretty upset with the notion of alternative minimum tax.

I filed a very good simplification bill here. It is almost revenue neutral, and it will achieve all the ends and strip pages from the Tax Code. But again, I want to hearken back to what I spoke of when I started.

We should stop arguing about tax cuts in this town. After all, we have had five tax cuts while we are fighting two wars. But we could do something that all members of the American family are in favor of and that is simplifying the Tax Code, changing the Tax Code, getting rid of the complexity instead of what has happened during these 10 years from a party that promised to take the Tax Code and tear it out by its roots. We now have a Tax Code that has roughly 15,000 more pages. It is wild in its complexity with what has happened.

I want to thank the gentleman from Maryland (Mr. HOYER) and the gentleman from Georgia (Mr. SCOTT) and the others that will participate in this discussion. But hearken back to that notion I have raised, and that is let us simplify the Tax Code for the American people as Democrats have promised to do.

Mr. HOYER. Mr. Speaker, I thank the gentleman from Massachusetts (Mr. NEAL). That is our pledge. The Democrats are going to work. We are going to work hard, and we will work with the President if the President wants to work, and we will work with the other side of the aisle to make this a fair, simpler, more efficient tax system. We owe that to the American public. We want to be the party of reforming our tax system so that Americans will say, I understand it, nobody likes to pay taxes but I am paying a fair share.

I thank the gentleman from Massachusetts (Mr. NEAL). It is now my honor to yield to my good friend, the distinguished gentlewoman from Cleveland, Ohio (Mrs. JONES), who has done such an extraordinary job during her tenure here and is now a member of the Committee on Ways and Means.

Mrs. JONES of Ohio. Mr. Speaker, I want to thank the gentleman from Maryland (Mr. HOYER) for his support for the years I have here in Congress and his support for my appointment to the Committee on Ways and Means. I am happy to be on the committee that is going to have the opportunity to review the Tax Code, and I want to thank him for his leadership on this issue.

Public distrust, that is the main reason why we urgently need fundamental tax reform. More and more Americans distrust the current tax system because they perceive it as unfair. Are they wrong? No.

Lower- and middle-income Americans bear a disproportionate tax burden. Small businesses bear a great compliance burden. That is unfair.

Does fairness in our tax system matter? Of course it does. It matters because tax collection depends on voluntary compliance. And in a democracy like ours, people contribute private resources to provide the public goods and services we deem appropriate as a community, including helping those not able to fend for themselves.

In America, paying taxes embodies a civic relationship of mutual responsibility, and people's obligation to pay them is as legitimate as any other public duty. So I am glad that we are discussing comprehensive tax reform, an issue that will only become more important for us in this Congress.

Let me offer five short points to consider as we discuss the important issue. First, fundamental tax reform is a necessity. The current system is complicated, inefficient, and unfair. Its unpopularity is warranted, and that is a problem because that breeds distrust.

The Tax Code must be simplified in order to eliminate the disproportionate amount of time and money currently spent on compliance. For example, the average taxpayer with a self-employed status has the greatest compliance burden in terms of tax preparation, 59 hours. In 2002 taxpayers spent more than $90 billion in compliance. I know somebody has already talked about that, so I will move on.

Second, simplification can occur only with fundamental tax reform. This is clear after decades of incrementalism. We know that tax reform cannot be done in a piecemeal fashion. The current system is flawed at its roots. Hard-working, middle-income, and lower-income people bear the largest burden in our current tax system.

Third, fundamental tax reform must focus on the tax base. Our tax base is derived from total income. However, this is complicated by the bewildering array of adjustments, deductions, credits, omissions, and mismeasurements. This undermines the fairness of our tax system. Therefore, fundamental tax reform must focus on the issue of tax base in order to achieve equity, efficiency, simplicity, and accountability.

Fourth, the Tax Code must encourage entrepreneurship. Small businesses provide our economy's foundation. They need a tax system that frees resources for investment and ensures affordable capital. We must support small business and American entrepreneurship which make up the backbone of our economy.

Fifth, fundamental tax reform is possible. Tax reform is not an easy task. However, the American public demands it. They see our tax system is unfair, and they are right. As it was in the mid-eighties, the time is right to begin taking serious steps towards achieving fundamental tax reform. We must listen to our constituents and be up to the task of implementing a fair tax system.

I want to close with this: this is a letter from one of my constituents. And I will not read it all, but I will read a portion of it.

It is dated March 22, 2005. It is from 2484 Stratford Road, Cleveland Heights, Ohio, 44118, to Congresswoman TUBBS JONES:

''Dear STEPHANIE, When we worked in the Cuyahoga County Prosecutor's Office, we prosecuted matters deemed criminal by statute. For how it will potentially decimate our district and others, the alternative minimum tax ought to be considered criminal.

''The AMT increased my Federal tax liability by over $13,000. This increase did not result so much from my income level but rather was directly related to the fact that Cleveland Heights has among the highest property tax rates in the State and the State of Ohio is among the States with the highest income tax rates.

''The AMT was enacted in response to individuals earning over $200,000 a year who reduced or eliminated tax liabilities through various tax shelters. Because the AMT has not been adjusted for inflation and tax cuts, households with children earning over $50,000 will be subject to the AMT. Those residing in high-tax districts like Cleveland Heights will also be hit the hardest.

''I have no fancy tax shelters. Ninety percent of those subject to AMT, including me, face this tax solely on account of paying high income property taxes and having children. Without immediate changes to the AMT and our outrageous high property taxes, people will continue to move out of Cleveland Heights with consequential loss of an income tax base, decline in property values, and a loss of diversity.

''In my neighborhood alone there are over 20 homes for sale, the majority leaving on account of the taxes. The AMT exacerbates the problem as a significant proportion of these high taxes can no longer be deducted to reduce taxable income. This double whammy will affect Cleveland Heights residents as well as those in other inner ring suburbs proportionally more so than others.''

He suggests two changes. AMT should not consider any income earned or taxed in one city or State of residence or any real estate tax on one's principal residence in order to increase taxable income.

Secondly, he suggested that school funding cannot rely so heavily on real estate taxes.

It is signed by Tony Mastroianni. He is a young doctor and young lawyer. And I just wanted to submit it for the RECORD so he knew I presented this information for my colleagues for review with regard to AMT.

I thank the gentleman for the opportunity to speak.

CLEVELAND HTS., OH, MARCH 22, 2005.

Hon. STEPHANIE TUBBS JONES,
*Longworth House Office Building,*
*Washington, DC.*

DEAR STEPHANIE: When we worked in the Cuyahoga County Prosecutor's Office we prosecuted matters deemed criminal by statute. For how it will potentially decimate our district and others, the alternative minimum tax (AMT) ought to be considered criminal.

The AMT increased my federal tax liability by over $13,000. This increase did not result so much from any income level but rather was directly related to the fact that Cleveland Heights has among the highest property tax rates in the state and the state of Ohio is among the states with the highest income tax rates.

The AMT was enacted in response to individuals earning over $200,000/yr who reduced/eliminated tax liability through various tax shelters. Because the AMT has not been adjusted for inflation and tax cuts, households with children earning over $50,000 will be subject to the AMT. Those residing in high tax districts like Cleveland Heights will be hit the hardest.

I have no fancy tax shelters, 90% of those subject to AMT, including me, face this tax solely on account of paying high income/property taxes and having children.

Without immediate changes to the AMT (and outrageously high property taxes), people will continue to move out of Cleveland Heights with consequential loss of an income tax base, decline in property values and loss of diversity. In my neighborhood alone, there are over 20 homes for sale; the majority leaving on account of the taxes. The AMT exacerbates the problem as a significant proportion of these high taxes can no longer be deducted to reduce taxable income. This 'double whammy' will affect Cleveland Heights residents as well as those in other inner ring suburbs proportionately more so than others.

Allow me to propose two suggestions: AMT should not consider any income earned/taxed in one's city/state of residence or any real estate tax on one's principal residence in order to increase taxable income. Itemized deductions are already limited based on income level; there is no need to further penalize individuals for buying a single residence and having children: we need kids (and to feed them) to grow up and pay into social security! Go after real tax shelters; School funding cannot rely so heavily on real estate taxes. Real estate taxes in Cleveland Heights are among the highest in the state and Cleveland Heights is fourth in spending per pupil in Cuyahoga County. Ed Kelley and other inner ring suburb mayors have been meeting to determine ways of equitable school funding so that people do not flee Cleveland Heights on account of obscene property taxes. As mentioned above, not being able to deduct such taxes is adding insult to injury.

The AMT is a national problem that clearly exacerbates an ongoing problem in Cleveland Heights. I hope that you and your colleagues can remedy this soon. If you need additional information or would just like to listen to me complain, I may be reached at work (440) 743–4749, or at home (216) 932–4748.

Thank you.

Sincerely,

TONY MASTROIANNI.

Mr. HOYER. Mr. Speaker, I thank the gentlewoman for her comments. I think her reading of the letter is an example of all that we are hearing from Americans: Congressman, this Tax Code I cannot understand. Congressman, this Tax Code costs me a lot of money and a lot of time to comply. And I want to comply and I want to be honest and help my country but, golly day, I am having trouble figuring it out. Will you please make it fair? Will you please make it simpler and just make it work better for me, for my family, and for the country.

Mr. Speaker, I yield to someone who is working very hard to do just that for his constituents and all Americans, the newest member of the Committee on Ways and Means, the gentleman from Illinois (Mr. EMANUEL), who does an extraordinary job.

Mr. EMANUEL. Mr. Speaker, I would like to pick up on a point the gentleman made of what we hear from our constituents. That is this notion that people are just trying to be honest and just trying to do something that is honest.

The fact is we all know the sense of frustration that we are hearing from our constituents is that the Tax Code has created a culture that has rewarded cheating and penalizes those who play by the rules.

□ 2030

That is what we have today, and that is a problem, that is a frustration that we hear from people.

When we were on Easter recess, there was a report by the IRS showing that there goes about $350 billion of unreported income, which would wipe the deficit off by three-quarters of this country. People who are hiding income, playing games, not reporting it, forcing the middle class to pay an ever-increasing amount of money, they are basically cheating. We know it is going on. They think the $350 billion is a low number.

It is getting worse as the tax code has gotten worse, and yet we are putting middle class families further behind on health care bills, college costs, trying to figure out how to save for their retirement and a tax burden and a tax code that does not do justice to what they are trying to do as parents and as a family.

So we have a code that rewards cheating. It promotes a culture of cheating and a code that on the other end is the middle class family. It penalizes those who play by the rules and try to do the right thing by their family.

Everybody has got something that they have proposed so I do not want to be outdone. I have also done something to that effect, but I not only have done it by legislation, I do it in my office.

One little story. I run a tax assistance program clinic in my congressional office every Saturday. We have the big four accounting firms, the accountants from the banks. It is called a tax assistance program. It is run as an entity. We house it in my congressional office. We advertise about it.

Every Saturday from 8:30 to 11:30, we actually help people fill out their taxes. We do it for two-and-a-half to three months a year. This last year we did about 1,132 taxes for individuals with families, returning on average $1,900 in earned income tax credit deductions, tax deductions they would not have gotten because nobody else would have filled it out. I say, if you can fill out the EITC tax code, you can go to graduate school. You do not need to do it. It is the most complicated form. By comparison, I want you to know, if you are a corporation and try to get the export-import loan agreement, it is 12 questions, but for the earned income tax credit, it is over 200 questions. We fill it out.

We also do college assistance, and we have back in my district about $10 million in different deductions and credits that exist in the code they would not have gotten, and after three months in a row every Saturday 45 different families show up. We turn on average away 15 families because we cannot help do them, and we make them first in line the next Saturday. But we do that every Saturday for three months. We did our last one last Saturday. We run these clinics so we know firsthand how these go besides the one I do for myself.

Second, I have introduced legislation called the simplified family credit. It takes the earned income tax credit, the per child deduction and the dependent care and takes 200 pages of the code and 2,000 additional pages down to 12 questions. It collapses all of those deductions that exist for families earning somewhere between $15,000 to $50,000 down to 12 questions. It would save a huge amount of money that ends up because of waste and abuse in the code because it is too complicated.

There are estimates of about $6 billion dollars, and if you simplified it, not only would you save money, but for people who have chosen to work and do right by their children, you have a tax code that was on their side, not on the side of folks who are trying to get lawyers and accountants to try to figure out how to basically game the system.

Any reform should understand that people are in the moderate income, $50,000 and less, should have a code that is simple for them to use.

So I have introduced what I call the simplified family credit that takes those three credits, the earned income tax credit, the per child and the dependent care and puts it down to 12 questions.

We run the clinic in my office to help families fill out their taxes and the tax forms, the 1040, and get them the type of deductions that we are talking about.

I want to stress, every one of us, we have people hit by the AMT. People come around and it is going to be Friday, they are going to be all in downtown Chicago and the neighborhoods and around the State and around the country. Their heads will be shaking because they know this code was not designed with them or their families in mind. It was designed for those who can afford lawyers, accountants and lobbyists. Those are the people that are benefiting by this code, and this code does injustice to people who are trying to do right by their families.

We need a code that not only understands the trials and the challenges of the middle class family but finally reflects what they are trying to do for their kids rather than what the lobbyists are trying to do for their interests. That is what we have to do when we reform this code is put it back on the working class and middle class families who are trying to do right for their families.

I want to thank the gentleman for this time and organizing this, especially as Friday looms in people's eyes and they have to face literally around the kitchen table all those bills. It is not meant for nine hours of unpleasant time trying to fill that out. We can do better.

Mr. HOYER. Mr. Speaker, I thank the gentleman for his comments, and I congratulate him for those clinics. I think that is a wonderful idea. I think very frankly we ought to have similar clinics and cooperate with a number of the people in our communities who could help people, particularly the EITC is difficult to understand for Members, much less those who it is designed for, to make sure people at the very poor end of the income scale have enough resources to support their kids. That is what it is all about, and this is what we think ought to be done.

So I thank the gentleman. I also want to thank him for the simplification of all the child tax credits that are now available because if we can get that just one item, as you pointed out, down from those 200-plus questions down to 10 or 12 questions, we are going to save a lot of money, a lot of time and a lot of mistakes, a lot of mistakes. The EITC is complicated, but there are a lot of mistakes made, not by people who want to commit fraud but who simply make mistakes.

I am glad that we are joined now by, in my view, one of the real stars of the new class in the Congress. She has been sent to us from south Florida, an area where I used to live, and she is doing an extraordinary job. I yield to the gentlewoman from Florida (Ms. WASSERMAN SCHULTZ).

Ms. WASSERMAN SCHULTZ. Mr. Speaker, I thank the gentleman from Maryland (Mr. HOYER) very much for yielding and thank him so much for giving us this opportunity to talk to the American people about what is essentially a startling contrast between our vision and our view on what tax reform should entail and what the majority's vision is.

I think that is really what we should ask people to take a look at, because the perception that is out there in America is not what it should be, and really what I would like to spend some time talking about is how the majority talks about making taxes simpler. As we can see, they have plenty of rhetoric that they have thrown around over the years as far back as 1997 and even for the years before that. Yet their actions do not match the rhetoric.

That is really what it boils down to, and I am a person that is all about action. That is what our caucus is about, and I think you have to walk the walk when you talk the talk, and that is not happening with this administration. It is not happening with the leadership of this body.

It is critical that the American people understand the consequences of the years, and I know that they do. Every working family sitting around their kitchen table understands the consequence of the complexities and the carving up of the tax code by the Republican majority here. I mean, that is what they have continued to do, in spite of the fact that they go out in America and talk about how complex it is. Well, it is time that something gets done about it. The time for talking needs to stop.

Their tax policies clearly favor some citizens over others. They pick and choose. They pick winners and loser among businesses and industries, and they do it all under the guise and cloak of tax reform.

One of the most important consequences is that the Federal Government and State and local governments, they do not have adequate resources to pay for the day-to-day services that our constituents need. That is a direct consequence of not having tax reform. There are real needs that are not being addressed because our local governments cannot provide the services because of the tax system as it is currently constructed. That squeeze is being felt all across this country, and particularly in the towns and cities in

my district and in the districts of many of our colleagues.

That is because the debt burden faced by the Federal Government is going to dramatically worsen in the future if the administration's tax cuts are made permanent. If the Bush tax cuts are made permanent, this problem is only going to get worse.

The Government Accountability Office projects that interest on the national debt would nearly equal all of the Federal taxes, including income and payroll taxes that we generate in 2040, not now but the taxes that we generate in 2040, if the recent tax cuts are made permanent.

Current and proposed debt and the rising level of interest that we pay on that debt, which is soon to average about $300 billion a year, which is more than we spend on Medicaid to help make people understand what that means, we weaken Social Security and threaten benefits for today's seniors, for disabled workers and their survivors, much of which affects women disproportionately which I want to address in a moment.

The amount merely required to pay interest on the national debt ultimately will be almost twice the amount that is paid out to all Americans in Social Security benefits. That is unbelievable. The interest on the national debt will be more than twice what we pay out in Social Security benefits.

Unlike interest on the national debt, Social Security has its own dedicated taxes, and the President fails to acknowledge that these costs crowd out resources for other priorities that affect people of all ages, people over 55 and younger people as well, in health care, in education and in homeland security. I want to take a minute and just talk about the impact on women of the Bush administration's policy decisions as it relates to tax cuts and the lack of tax reform.

There are programs serving women and families that are really bearing the burden of deficit reduction. The President's budget now in front of us slashes funding for countless domestic programs.

The administration itself in child care calculates 300,000 additional children could lose assistance by 2009 from the continued freeze in funding. Between 2003 and 2004, 200,000 children have lost child care help.

In Medicaid, the administration would cut $7.6 billion over 5 years, and the House even more.

Education and training: Investment in high school vocational education programs that can help train women and girls for higher paying, nontraditional jobs is totally eliminated.

Supplemental nutrition for women, infants and children: The cut of $658 million could mean 660,000 fewer pregnant women, infants and children receiving WIC assistance in 2010.

I want to boil this down for another few seconds. Millionaires' average tax cut in 2004 was $123,592, which is more than five times the annual income of a typical single mother with children, whose median income is $22,637. That is what their policy translates into for regular, everyday people.

More than one-quarter of single-parent families, who are overwhelmingly headed by women, get nothing from the 2001 and 2003 tax cuts.

These tax cuts, the bottom line, and the budget simply makes the wrong choices for women, for their families and for all Americans.

Mr. Speaker, I want to again thank the gentleman from Maryland (Mr. HOYER) so much for this opportunity for us to help the American people understand that it is Democrats that are committed both in action, deed and rhetoric, and our actions will match our words when it comes to tax reform.

Mr. HOYER. Mr. Speaker, I thank the gentlewoman and she left me a beautiful segue into the closing of our action matching our words. That is what ought to happen, and when that does not happen, people get pretty cynical. Let me refer to some words.

In 1996, Newt Gingrich was the Speaker of this House and he said, ''The current system is indefensible,'' referring to the tax code. He was right. ''It is riddled with special interest tax breaks. Today's tax code is so complex that many Americans despair that only someone with an advanced degree in rocket science could figure it out. They are wrong. Even a certified genius such as Albert Einstein needed help in figuring out this Form 1040.'' In 1996, 8 years ago, the Republicans were in charge of this House, and Mr. Gingrich was our Speaker.

A year later, Mr. Gingrich said this as the Speaker of the House, ''So we want to move towards a simpler tax code that takes less time to fill out, that is easier for the American people,'' 1997.

In the last 7 years, the Speaker's party, the Republican party, has made the tax code 25 percent more complicated than it was in 1997, moving in exactly the opposite direction.

In 2001, 4 years later, 2001, President Bush said, Americans want our tax code to be reasonable and simple and fair. He was absolutely right. That is what I want. That is what every American wants. These are goals that have shaped my plan. What plan? No plan, no plan here, no plan in the Committee on Ways and Means, no plan from the White House.

□ 2045

And then in 2004, fast forward 3 years, just last year: ''The administration has made tax simplification a priority, and we look forward to working with Congress to achieve it. A simpler code is something we owe honest taxpayers, and the worst thing of all for the tax cheat.''

Mr. Speaker, we agree with the President, but what did we do today? This very day, we made the Tax Code more complicated, not to mention costing many small farmers and small businessmen more money than they otherwise would have paid with existing policy.

Mr. Speaker, my Republican friends, my Democratic friends, on behalf of the Democratic Party, I pledge that we are going to fight to reform a system that is complicated, that is unfair, and that is inefficient so that Americans will say, as painful as April 15 may be, at least it was easier to fill out, at least I think it was fair, and at least I think it will be handled in an efficient way.

Democrats are committed to reforming this Tax Code so it will be simpler, fairer, and more efficient.

## SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mrs. MCCARTHY) to revise and extend their remarks and include extraneous material:)

Mr. DEFAZIO, for 5 minutes, today.

Ms. WOOLSEY, for 5 minutes, today.

Mr. BROWN of Ohio, for 5 minutes, today.

Mr. EMANUEL, for 5 minutes, today.

Mr. MCDERMOTT, for 5 minutes, today.

Ms. WATSON, for 5 minutes, today.

Mrs. MCCARTHY, for 5 minutes, today.

Ms. CORRINE BROWN of Florida, for 5 minutes, today.

(The following Members (at the request of Mrs. BIGGERT) to revise and extend their remarks and include extraneous material:)

Mrs. BIGGERT, for 5 minutes, today.

Mr. KIRK, for 5 minutes, today.

Mr. OSBORNE, for 5 minutes, today.

Mr. DREIER, for 5 minutes, April 14.

Mr. DUNCAN, for 5 minutes, today.

(The following Member (at his own request) to revise and extend his remarks and include extraneous material:)

Mr. DREIER, for 5 minutes, today.

## ADJOURNMENT

Mr. HOYER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 8 o'clock and 47 minutes p.m.), the House adjourned until tomorrow, Thursday, April 14, 2005, at 10 a.m.

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

1521. A letter from the Secretary, Department of Agriculture, transmitting the annual assessment of the cattle and hog industries, pursuant to Public Law 106–472 7 U.S.C. 181, et seq; to the Committee on Agriculture.

1522. A letter from the Acting Administrator, AMS, Department of Agriculture,