

The PRESIDING OFFICER. The motion is entered.

MORNING BUSINESS

Mr. REID. I ask unanimous consent the Senate now proceed to a period of morning business with Senators permitted to speak therein for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Iowa.

Mr. GRASSLEY. Speaking as in morning business?

The PRESIDING OFFICER. Yes.

TAX GAP AND THE MINIMUM WAGE

Mr. GRASSLEY. Mr. President, I would like to speak about two issues that have been much in the news lately: the tax gap and the minimum wage bill. We had on the front page of the Times today the discussion about the tax gap. In addition, with the release of the President's budget today, the administration has provided Congress substantive proposals to deal with the tax gap. It is now Congress's responsibility to consider these proposals, review them, and hear from the public and also see what more is possible in terms of addressing the tax gap. But the good news is we have already taken steps in this Congress to deal with the tax gap. We have very important tax reforms and tax gap measures included in the minimum wage bill. So Congress is effectively killing two birds with one stone.

First, we are providing needed tax relief for small businesses that could be harmed by the increase in the minimum wage—and I voted for an increase in the minimum wage. Second, in the minimum wage bill we are going after the tax gap and those who engage in the tax scams.

Two things: No. 1, we are dealing with efforts to help small business and, No. 2, we are at the very same time bringing more money into the Federal Treasury by closing tax scams and reducing the tax gap.

I would say, as a sidenote to my colleagues, particularly the new leaders on the Budget Committee, that these tax provisions are only the latest example of the Finance Committee producing additional revenues by changes in the Tax Code. Unfortunately, I feel as though I need to put on a Sherlock Holmes hat and hire a bloodhound to go out and try to find any savings that the Budget Committee makes and had enacted into law when it comes to the spending side of the ledger. We have more than done our job on the tax side. I say it is time for the Budget Committee to deliver savings on the spending side.

But let me turn back to the tax gap and turn back to the minimum wage bill. I am very pleased that in working with Senator BAUCUS we have, as part of the tax provisions contained in the

minimum wage package, a new provision—a number of provisions, in fact—that will go after those engaged in tax shelters and tax scams and take steps, then, in the process, to address the tax gap—in other words, money that is owed but not paid. I would like to highlight just a few of these provisions that are in the minimum wage bill that are closing the tax gap and shutting down tax scams.

We shut down the SILO scheme. That is an acronym. U.S. corporations cut their tax bills by purchasing and leasing back overseas government facilities such as sewer plants and subways in the country of Germany. We take additional steps to go after corporations that move to the Bahamas and have just a mailbox, not any people, and use the gimmick to cut their taxes. I can't tell you how many times I have heard speeches about that issue from Senators on the other side of the aisle. We can end the talking and we can start doing something about it with these very provisions contained in the minimum wage bill if we do not let succeed people who are talking about separating the tax provisions of the wage bill just to get a minimum wage bill passed.

We also tightened the rules on individuals who expatriate to avoid taxes legally owed in the United States—and we have that happen.

We end the fast and loose ways that corporations account for fines and penalties, so if a corporation gets a penalty for, let's say, polluting the environment, they do not get to deduct that from their income tax. We also increase penalties for those who underpay taxes due to fraud. I think everybody would agree with that. We double the fines and the penalties for those who use offshore financial arrangements to avoid taxes. The Finance Committee views that as a growing problem and a major reason that there is such a tax gap. We expand and improve the whistleblower program which will provide the Internal Revenue Service a roadmap for corporate tax fraud.

We modify the collection due process rules to protect the tax protesters from abusing the system. This is something that the administration proposed in its budget today to help deal with the tax gap.

This collection due process provision contained in the minimum wage bill only emphasizes my point that we can start dealing with a tax gap today, right now.

And then a final provision I will make reference to is one provision that closes a loophole in section 162(m), the \$1 million limitation for corporate executives. The provisions provide that a CEO can't avoid the effects of 162(m) by not being on the job at the end of the year.

Mr. President, forests have been sacrificed to print the speeches that politicians make decrying excessive CEO pay. Yes, we have a provision in the minimum wage bill that tightens the

deduction that can be taken for higher CEO pay.

So I get down to the basics, and I get down to the basics because I have been hearing some rumors from Senators—but more importantly from the leadership of the other body—that in order to get a minimum wage bill passed, we ought to drop the tax provisions and pass the minimum wage bill. But I have always been hearing over the years from those people who are saying: We need to do something about the tax gap; we need to do something about the tax scams; we need to do something about people going offshore to avoid the payment of taxes, and on and on. So I have to ask the Democratic leadership if they are going to put the provisions I am talking about—closing the tax gap, closing down the tax scams—if they want to put those provisions in the trash can. If they do, I would also like to put into the trash all the speeches made on the other side then about CEO pay.

I say this because the time for speeches is over. We can take steps right now with the tax provisions in the minimum wage bill to deal with the tax gap and CEO pay. I have listed these provisions, and as my colleagues know, while many of them are good common sense, these provisions are also not at all popular downtown on K Street or up the eastern coast on Wall Street.

While the debate has focused on the tax breaks for small business in the minimum wage bill—and those are important because they are helping small business overcome some negative impact of the minimum wage increase—it is also critical we pass a much-needed tax gap and anti-abuse provisions contained in the minimum wage bill and pass them now. Delaying these reforms as some would argue—putting them on another tax bill—rewards tax cheats. These reforms are often date and time sensitive. Delay only benefits those who are playing fast and loose with our tax laws.

I can't believe the House Democratic leadership wants the first action they take in the area of taxes to drop these reform provisions—these provisions that would close the tax gap—and signal to the tax cheats that the door is wide open.

Senator BAUCUS and I, working together over the years, have passed into law a good many reforms, and we have shut down a number of tax scams. However, we have been, at times, stymied in the other body—not by Democrats but by Republicans.

We heard a lot of commentary during the elections and afterwards how it was no longer going to be business as usual. My hope is that given the rhetoric of the new House leadership, we could finally pass these anti-abuse tax reforms in the minimum wage bill. I worry, though, that with folks talking about stripping the tax provisions from the minimum wage bill, the House leadership may be singing a new song. But