save your money, and if you invest well, that you not only will have a better life, but you will be able to pass that on to your children and grandchildren so that they will have greater opportunities than we have. But today, if you work hard and if you have done well, we will take 55 percent of it in estate taxes. It is killing that American dream, or a big part of that American dream. I think that is wrong.

There are five bills in the Senate to reform or to eliminate the estate tax. I am on all of them. I think we need to at least raise the exclusion. But better yet, we need to eliminate it. It is a very ineffective way to fund the Federal Government anyway. We are 65 cents short in collections for every dollar that we receive from the estate tax. It is a very ineffective way of funding Federal programs.

Then, finally, I want to mention that we desperately need immediate capital gains tax relief. I heard a great deal about this. This is what they say. They say, yes, the Republicans are for capital gains tax relief, that it is a tax break for the wealthy. Well, we know that the vast majority of tax filers will at some time in their life file capital gains on their tax returns, most of those being middle-income earners. It is not a tax break for the wealthy.

Let me tell you how it plays out in Arkansas. A young couple started 30 years ago building a poultry farm in the Ozark Hills. They spent their life paying off that mortgage. They are getting up in age. They are not wealthy. But they have worked their whole lives to pay off that farm. Maybe they can no longer tend that big farm, or maybe they want to move into town close to the hospital, or maybe they need to get in close to the grandchildren. They go to sell that farm. They discover that the capital gains taxes would be so high that they can't afford to sell the farm they worked a lifetime to pay for. They are not wealthy. But that is what we have done with the capital gains tax.

I will give you one other example. My chief of staff is from Stone County, AR. Stone County has one of the largest per capita incomes in the State of Arkansas. His parents own a little cafe called Cody's Cafe in Fifty-Six, AR, next to the State park. It is a good restaurant. It has good food. I recommend it. I eat there when I am in Fifty-Six, AR. But Todd's parents wanted to sell that little restaurant. It is a mom-and-pop operation. They don't have many employees. It is a very small cafe. They wanted to sell it and put it into another business, in another restaurant in another part of Arkansas. They had a buyer, somebody who was going to buy that cafe-restaurant. Those buyers undoubtedly were going to expand, and they were going to hire additional employees as well. Todd told his parents, ''Before you make that deal, before you sign that contract, be sure to check with your accountant. Find out what the capital gains taxes will be.''

When they checked they found they couldn't afford to make that sale. So they hung onto it. They continued to operate it.

But I want you to think with me, my colleagues. What would have been the impact had they been able to make that sale, had we not had the exorbitant capital gains tax we impose? We would have had a new business started with new employees. The economy would have been stimulated with more taxes being paid to the Federal Treasury. We would have had new business owners there in Stone County with the desire to expand that restaurant operation, hire additional employees and, therefore, not only stimulate the economy in Stone County, but pay more taxes to the Federal Treasury.

You take that little example from Stone County, AR, and multiply that thousands of times across the United States, and you begin to get the picture of what we could do in stimulating the American economy, and therefore making it easier for us to balance the Federal budget if we would simply cut drastically and dramatically the capital gains tax rate. I believe we need to do that.

So I know there are others who are here to speak. I just want to conclude by saying this is no time for us to retreat on our promise made to the American people that we are going to work for tax relief. I believe it is the moral equivalent of what President Bush did in 1990. I admire and love President Bush, but I think he made a terrible mistake when he told the American people ''no new taxes,'' and then violated that pledge in reaching a budget deal. We must not, in our desire to reach some mythical budget deal, forsake, abandon, or equivocate on the promise and the pledge we made to the American people that we have come up here to lessen that ever-increasing tax burden under which they labor.

So I, for one, will continue to work for a budget that is going to have family tax relief, estate tax relief, and capital gains tax relief for the American people.

I yield the floor, Mr. President.

Mr. THOMAS. I want to ask the Senator if there is a Fifty-Six, AR.

Mr. HUTCHINSON. There is a Fifty-Six, AR, and Cody Cafe is the place to eat.

Mr. THOMAS. Mr. President, I yield to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

THE SINKING OF THE ''TITANIC'', TAX DAY, AND OTHER MANMADE DISASTERS

Mr. GRAMS. Mr. President, 1 week from today, we will mark the anniversary of two infamous, manmade disasters. One may slip by unnoticed. I am certain the other will not.

The first disaster we will commemorate next Tuesday is the 85th anniversary of the sinking of the *Titanic*, an event made all the more tragic because it could have been prevented. The story of the *Titanic* is a sad story of excess, of man's ongoing reach for something bigger, something more powerful.

The second manmade disaster is the arrival of tax day. Now, I do not mean to draw a direct comparison between the loss of life in the *Titanic* incident and the plight of America's working men and women. But for many Americans, April 15 is another potent symbol of man's ongoing reach for something bigger and more powerful. The bigger and more powerful entity in this case is not the world's largest ship, but the largest government the world has ever known. And Washington's constant need to expand its reach has imprisoned working families in a disastrous cycle of taxation.

Look what our outrageous tax burden has done to families over the past 40 years. Taxes today dominate the family budget. The annual tax bill for a typical family now averages $21,365—significantly more than they spend on food, clothing, and shelter every year.

Factor in State and local taxes and the hidden taxes that result from the high cost of government regulations, and a family today gives up more than 50 percent of its annual income to the government. We pay an especially high price in my home State of Minnesota—a study released last year by Harvard University revealed that Minnesota taxpayers pay the seventh highest taxes in the Nation.

Taxes are not merely an inconvenient fact of life. They are the 1990's version of highway robbery.

Who has borne the brunt of these ever-increasing taxes since the 1940's? Working families with children. No wonder these Americans shake their heads in dismay each April.

Mr. President, when my colleagues and I in the sophomore class were elected in 1994, we were sent here by our constituents on a promise that we would balance the budget and cut taxes. That same promise was made by the Members of the new freshman class. And we do not intend to let 1 more year pass without delivering on those promises. Tax relief and deficit reduction can and must go hand in hand. Any budget presented in this Chamber that favors deficit reduction at the expense of lower taxes—what Washington's big spenders like to call the save-the-dessert-for-after-dinner approach—is nothing more than an exercise in futility. Until the opponents of tax relief recognize that what they call dessert is what most taxpayers consider their salary, we will never reach agreement on a budget.

I would like to also add that I received a letter today from a mayor back home who opposed tax relief. He didn't call it dessert, but he called it political goodies that we would like to disperse to our constituents. Allowing working men and women to keep more of their money is what he calls political goodies.

This is the mindset of many who are serving in government today, whether they be local, State, or Federal officials. Somehow the people's money is somehow government's claim, and if we want to make sure that they can keep some of it, it is somehow political goodies.

But it was later in his letter that I found what was really his real concern. In the letter I think he felt that lower taxes could mean fewer dollars to be sent from Washington to his town. So his concern wasn't the political goodies, but it could mean fewer dollars if we reduce the size and scope of the Federal Government. That is money that would be allowed to be spent, or really the pork from Washington—not political goodies but pork. Let the Federal Government raise the taxes rather than having the local taxes support the programs for pork that they want. So, in other words, provide for their residents. It is really great that we can stand here and get credit for spending their money—the taxpayers' money—for programs, for what really is pork that the Government thinks that they should have, or that they need. It is great that we have this great ability to figure out for the local citizens what is best for them.

The American people have spoken very clearly on this point. A USA Today-CNN-Gallup Poll released just last week confirms what many of us have been saying all along: Tax cuts must be part of any budget agreement we enact this year. When asked if they think the Republicans should drop their attempts to include tax cuts in their overall plan to reduce the budget deficit, or should they keep the tax cuts in their plan, fully 70 percent of the respondents said the tax cuts should stay. Seven out of ten Americans are calling on us to keep our tax-cutting pledge. And a majority agreed that tax cuts and deficit reduction can be accomplished at the same time.

Mr. President, if Congress intends to make the strongest possible statement in support of working Americans, we will not do it by building a bigger Federal Government that demands more taxpayer dollars. We will do it by cutting taxes and leaving families a little more of their own money at the end of the day.

Earlier this year, I was proud to join my colleagues, Senator HUTCHINSON and Senator COATS, in reintroducing this desperately needed tax relief in the form of the $500 per-child tax credit.

The $500-per-child tax credit takes power away from Washington and puts it back with families, where it can do the most good. Once we leave that money in the family bank account, taxpayers are empowered to use it meeting the needs of their families, whether that is clothing, medical and dental expenses, insurance, or even groceries, or education.

Mr. President, there is no action Congress can take today that will make next Tuesday, April 15, any easier for America's working families. But we have before us unlimited opportunities to profoundly change every other tax day, far into the future. Washington created the mess we are in, and the taxpayers are now demanding that Washington get us out of it. Thank you very much. I yield the floor.

Mr. THOMAS. Mr. President, I yield to the Senator from Arizona.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Thank you, Mr. President. I thank my colleague from Wyoming for putting this order together at this propitious time to discuss tax policy in the country with April 15 looming on the horizon and Americans all over the country concerned about the amount of money we pay to the Federal Government in Federal income taxes.

Mr. President, I have an important announcement to make. I have been authorized to announce that on tax day, April 15, the U.S. Senate will have a historic opportunity to vote on a resolution which will express the sense of the Senate that we support a requirement that Congress, the House and the Senate, be required to raise taxes with a supermajority. In other words, that we could not raise taxes with a bare majority, that it would require a two-thirds vote for a tax increase to go in effect, much like the requirement in States throughout the United States, and a very successful requirement, I might add. The full House is actually going to vote on tax day on the actual constitutional amendment. Our resolution will be a sense of the Senate in support of that same concept. Obviously, we are not prepared yet to actually vote on the constitutional amendment.

The reason for this, Mr. President, is that the average family of four back in 1948 paid about 5 percent of its income in Federal taxes. But today that burden is about 24 percent. And, as our colleague from Minnesota just noted, if you add the State and local taxes to the mix, we are paying about 40 percent of our income in taxes to government.

The last tax increase to pass in the Congress in 1993 was the largest in history. And, yet, it failed to even achieve a majority in the U.S. Senate. There was a tie of 50–50. President Clinton's largest tax increase in history only passed because Vice President GORE came to the Chamber and cast the deciding vote. We believe that it ought to be at least as difficult to raise taxes as it is to cut them. It is now easier, sadly, to raise taxes than it is to cut them.

Consider this irony. This two-thirds majority would fix this problem, by the way. When we passed the balanced budget amendment of 1995, the President vetoed it. It included big tax cuts. The President vetoed it. We had to have a two-thirds majority to overcome the veto, and we couldn't do that. So it would have required a two-thirds vote for us to reduce taxes. But, as I pointed out, the biggest tax increase in the history of the country in 1993 passed without even a majority vote.

As I said, Mr. President, we think it ought to be at least as hard to raise taxes as it is to cut them. That is why we are going to be voting on April 15 to support the principle that there should be a supermajority for Congress to raise taxes.

The Kemp commission, appointed by the Speaker of the House and the previous majority leader of the Senate, came to this conclusion about this requirement. I am quoting: ''The commission believes that a two-thirds supermajority vote of Congress will earn Americans' confidence in the longevity, predictability, and stability of any new tax system.''

They made that point in recommending this two-thirds supermajority of both Houses of Congress to raise taxes as a key component of our tax policy. As I said, there are 14 States that currently have some form of tax limitation in effect. There was an interesting study in 1994 by the Cato Institute which found that a family of four in States with tax and expenditure limits faces estate and tax burdens that are $650 lower on average 5 years after the implementation than it would have been if the State tax growth had not been slowed. In other words, the people who live in States that have these supermajority requirements are better off, pay less in taxes than those States which do not have such a requirement.

It also matters, Mr. President, how we raise or lower taxes. Or I should say, put it another way, how we increase revenues to the Treasury matters because you can increase revenue to the Treasury not by raising tax rates but actually by lowering certain tax rates.

We all agree that lower tax rates stimulate the economy, which results in more taxable income and transactions and more revenue to the Treasury as a result. In fact, the tax cuts out of the early 1980's make this point. They spawned the longest peacetime economic expansion in our Nation's history.

Revenues to the Treasury, the Federal Treasury, increased as a result from $599 billion in fiscal year 1981 to $990 billion in fiscal year 1989, up about 65 percent.

On the other hand, higher tax rates discourage work and production and savings and investment so there is ultimately less economic activity to tax. That is exactly what Martin Feldstein, the former Chairman of the President's Council on Economic Advisers, found when he looked at the effect of President Clinton's 1993 tax increase. He found that taxpayers responded to the sharply higher marginal tax rates imposed by the Clinton tax bill by reducing their taxable incomes by nearly $25 billion. They did that by saving less, investing less, and creating fewer jobs, and the economy eventually paid the price in terms of slower growth.

In other words, as I said, how Congress raises taxes is more important than how much it can tax. The key is whether tax policy fosters economic growth and opportunity. And that is why we believe, as I said before, that it ought to be more difficult to raise tax rates. It ought to be just as easy to cut taxes. We should raise tax rates only if there is enough consensus on that to provide a two-thirds majority of both Houses of Congress.

So on April 15, tax day, all of us in the Senate will have the opportunity to go on record to tell our constituents where we stand. Do we believe that it ought to be just as difficult to raise taxes as it is to cut them? We will have the opportunity to vote on the principle of requiring a supermajority in Congress to raise taxes. And I certainly hope that my colleagues will support us in that vote.

I thank the Senator from Wyoming for this time.

Mr. THOMAS. Mr. President, I am pleased now to yield to my friend, the Senator from Oklahoma, who has actually been chairman of our 1994 group. The Senator from Oklahoma.

Mr. INHOFE. I thank the Senator from Wyoming for having this time devoted to such a significant issue.

Mr. President, I ask unanimous consent that the time which has been allotted to Senator THOMAS be extended until the hour of 11:15.

The PRESIDING OFFICER (Mr. SMITH of Oregon). Without objection, it is so ordered.

Mr. INHOFE. I think something that is very significant that has not yet been said was touched upon by the distinguished Senator from Arizona [Mr. KYL], when he approached the economics of this issue. Unfortunately, when we talk about tax reductions, there is a mindset that if you reduce taxes, you reduce revenues. History has shown us very clearly that is not the case.

In fact, it was a Democrat who first came up with the idea that you could actually increase revenues by reducing taxes, and that was President Kennedy back in the early 1970's when he said we have a problem in this country; we have to increase revenues, but we also are overtaxed, so the best way to increase revenues is to reduce the tax rates.

Now, today, the Democrats do not think that way. The liberals in Congress think that it is a static situation, and that if you raise taxes nothing else happens.

That, of course, is not true. I remind my colleagues that in 1980, the total amount of money used to run Government was $570 billion, the total revenue that came in in 1980. In 1990, the total revenue that came in to run Government was $1 trillion 30 billion. That is almost exactly double what it was in 1980.

Well, what happened during that decade? During that decade, we had the largest tax reductions we have ever had in this country's history. So the same thing that happened back during the Kennedy administration when he had the wisdom to say we have to increase revenues and the best way to do this is to reduce taxes happened again in the 1980's. Unfortunately, we have an administration in the White House that does not understand this.

In fact, I was amazed early in this administration when Laura Tyson, who is the chief economic adviser to the President of the United States, President Clinton, back in 1992 said—and this is nearly a direct quote—there is no relationship between the level of taxes a nation pays and the amount of economic productivity of that nation.

That is saying they believe if you tax everybody 100 percent, they are going to work as hard as if you taxed them 10 percent. This is what Senator KYL was getting to, that there is a relationship between the level of taxation and the productivity of a nation. In fact, to be specific, for each 1-percent increase in economic activity of a country it increases new revenue $24 billion.

So those of us who are conservative, those of us who believe that what history has taught us is very factual are standing here saying we want to lower taxes, we want to do as Senator KYL suggested and make it more difficult for people to raise taxes. I suggest, if you go back and look at the votes that took place to raise taxes, at least in the 10 years I have been here, it has always passed by maybe 1 or 2 percent. If you put a supermajority on that, I believe we can accomplish a lot.

And so as the speakers before me have indicated, there are a lot of advantages here to get this machine working and to become more productive, and if for no other reason than the distinguished Senator from Minnesota said—we who are elected to the Senate, that is, those of us in the Chamber right now, in 1994 committed and promised that we would vote for a balanced budget and reduce taxes, and we are going to do that.

I yield the floor.

Mr. THOMAS. Mr. President, let me just sort of wind up on our tax thing and say that if you are like me—a weekend from now it will be April 15 and all of us I hope are beginning to think about preparing our tax returns. It is a headache, of course, and so we tend to procrastinate. We are taxed too high, I am sure. And I am sure also that people out there look at Washington and wonder if all that talk about tax relief is just talk.

We are here to say that it is not. Tax relief for families in America, for small business, is alive and well and one of the good ideas that is coming out of Washington, I hope soon. By next year, it is our hope that as we begin to think about compiling tax returns we will have accomplished what Americans deserve and expect from Washington as a matter of fact—reforms that let families keep more of their money. Republicans want to lower the tax burden and provide some common sense to the tax system.

Currently, according to the Census Bureau, a typical family of four spends more than 3 hours of every 8-hour day working for dollars that are dedicated to Federal, State and local taxes. That is an average of almost 40 percent of income—40 percent of our income to continue to grow a central government. You get big government and you get a bloated bureaucracy. Instead, we ought to be able to use those dollars to increase our businesses, to feed our kids, to send them to school. So we need reform, smart reform, smart tax reform. That has a nice ring to it, doesn't it?

I hear also in town meetings more and more about the IRS. Let me tell you that at least to some extent you cannot do much about the IRS until you change the system and make it simpler. Which taxes to reform? Where should we start? The inheritance tax for one. We have already talked about that. Here is one that makes no sense at all. We spend more time avoiding inheritance taxes than we do paying them. People who have spent time in business and farms cannot pass it on to their own families. The current tax penalizes the development of wealth and business. That is wrong. It is really a matter of freedom. Citizens own their property and families should not be compelled to sell it if the head of the household passes away. In the West it is an environmental problem. The view of the West, the mountains will be subdivided unless we act.

How about capital gains reduction? Entrepreneurs and small business investors take substantial risks when they open or invest in businesses. Cutting capital gains will increase economic growth. Add to that tax credits for our families with children. Grant a $500-per-child tax credit and give families the opportunity to do some things.

When it is all wrapped up, tax reform should have to pass a simple commonsense test. Does it impose the lowest possible compliance and enforcement? Does it encourage growth? Does it work to help strengthen families? By anyone's measure, our current system does not pass this test. So we deserve a Saturday in April with our family instead of sitting with a stack of receipts and the Tax Code. We want tax simplicity. We want tax relief.

The President's proposed budget, according to the Joint Committee on Taxation, the President's fiscal year 1998 budget contains a net tax increase of $23 billion over 10 years. That is not tax relief. That is more burden. That is not what we need in the future. The President needs to come to the snubbing post and join with us on taxes and reform in balancing the budget. We can do that, and our opportunity is now.

Mr. President, I yield the floor.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, I would like to yield myself time that is allocated to the minority leader.

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