many couples right now, in order to make ends meet, have no other choice than to have both spouses working in order to put food on the table and a roof overhead.

□ 2245

We believe, the newly elected Members on the Republican side believe, that taxpayers should reap the rewards of their efforts and our efforts to shrink the size of the Federal Government. As we force Washington to balance its books, and as we hold government programs like the earned income credit accountable, and as we shape and force a smaller, smarter, more effective government, Washington does not need as much of the American people's money. The money should stay in the pockets of hard-working men and women across this country, not into this bloated bureaucracy or into any schemes to redistribute income. It is the American people's money. They have earned it, they should keep more of it. That is what this tax debate is all about. That is why it is so important.

THE TAX CUT DEBATE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, I wanted to start out this evening by pointing out that I believe most Americans now realize that the Republican tax cut strongly favor the rich, and when I hear my colleagues on the Republican side of the aisle constantly try to say that that is not true, I think it is because they realize that the word is getting out that the average American understands that this Republican tax plan is basically favoring the rich, and the media, the newspapers, are obviously making that point as well because they understand it.

In fact, two-thirds of the Republican tax cuts in the House bill go to households with incomes of more than $100,000, and I believe it is a disgrace that those Americans in the bottom 40 percent of the income; in other words, these are still working Americans paying taxes, essentially get nothing. The Republican tax scheme would deny the child tax credit to taxpaying working families but give big business and their country club buddies a tax break windfall.

Now I listened to what some of my colleagues on the Republican side said tonight in the last hour, and it was really interesting because basically what they were saying is that the more money you make, the bigger tax cut you should get, and they short of justify this by suggesting that the harder you work the more you earn; in other words, somehow that people who earn more work harder.

The problem is that is simply not true. Many middle-income people work harder than wealthy people. Some wealthy people do not work at all. They have just basically inherited their wealth in some cases. And what the Democrats are saying is that middle-income families should get the largest share of the tax cuts because they need it the most, and we have a limited amount of money to give back in tax relief because I would remind my colleagues on the other side that our basic goal with the budget bill is to eliminate the deficit.

So why should we not give the tax cuts to middle income working families primarily? That is all the Democrats are essentially saying. We put forth a plan basically that would truly benefit middle-income families. We are advocating a tax cutting plan that is fair and that helps the majority of Americans as promised in the original budget agreement that was reached this past May.

I believe very strongly that what the Republicans are doing here is reneging on the promise that they made when they signed with the President and said that as part of this balanced budget agreement most of the tax cuts would go to middle income working families, and unfortunately the Republican leadership is not honoring this agreement made on behalf of the American people. They are basically breaking the promise that was made to middle-income people.

Now, what we have tried to do as Democrats is to illustrate in human terms the implications of this Republican tax scheme, and I just wanted to mention, I have mentioned it before, but I wanted to mention an individual, a family from New Jersey, that wrote to me about a month ago now and also talk about this family and others in terms of the education benefits of the Democrat versus the Republican bill.

I have a chart here that talks about how a typical working family fares in 1998 under the GOP versus the Democratic proposals. This is a family that has an annual income of $24,000. The family has 1 child, age 10, and another child, age 19. The 19-year-old is attending his first year of community college with an annual tuition of $1200. Under the Republican bill the scholarship that would go to the student, to the child, that is in the community college basically is $600. Under the Democratic alternative it is a lot more, $1,100 phased up to $1,500 by the year 2001.

Even more or just as important is what happens with the child tax credit. This is this credit that the Republicans promised many times before would go to all working families if they had dependent children, but what they have done in their Republican tax plan is basically say that many families, including this one, which again is making an income of $24,000 a year, would receive no child tax credit because they do not qualify because of the earned income tax credit which some of my colleagues talked about tonight. Under the Democratic plan they would get the family $300 phased up to $500 by the year 2001.

Now that is the general statement that explains, I think, what the Democrats are complaining about when we say that the average person, in this case a working middle income family, are not getting a benefit of a child tax credit under the Republican plan and a reduced amount of money that is available for higher education.

But I just wanted to illustrate my New Jersey case again, if I could, and then I would like to yield to some of my colleagues who are joining me here this evening.

This is a woman, Deborah Hammerstrum, who is a resident of Toms River, NJ. She is a divorced mother of 2 children living on a single income, and she wrote to me, and I quote, ''to stress the importance of how a child tax credit would help to offset some of the financial burdens that come with raising a family on a single income.'' Ms. Hammerstrum earns $21,500 in her job as the benefits coordinator for Visiting Home Care Services of Ocean County, NJ. She pays $105 a week for child care, actually $5,460 a year, so that she can work. She is working.

Now, to quote again from her letter, she says, ''Unfortunately, the Republican child tax credit proposal is targeted against those who need it most, those who are just one step away from falling into the welfare system.'' She works, she pays for child care, she pays for food, a roof over her family's head, and nothing more.

The child tax credit should be given to financially benefit the child, and I think a child from a middle income family would benefit greatly by receiving this credit. She would get nothing under the Republican proposal, and the reason for this is because the Republican bill denies the $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes.

I heard my colleagues over and over again on the floor tonight say that the only people who should qualify for this child tax credit are people who pay income taxes; in other words, if the child tax credit, I mean, if with the earned income tax credit which we have on the books now, that person, in effect that earned income tax credit, goes above what their income tax liability is, that they should not be able to take advantage of the child tax credit that we are proposing. And that is simply unfair, Mr. Speaker, because basically what it says is that we are not going to count for this working family the fact that they pay payroll taxes, Federal payroll taxes, the fact that they pay Federal excise taxes or might pay local property taxes. These families, including Ms. Hammerstrum, are paying a lot of taxes, and it does not make sense to me to say that they should not get this extra $500 child tax credit.

I have other examples, but I do not want to use them right now because I wanted to have some of my colleagues

talk about some of the same issues and possibly use some other examples.

But I really feel very strongly that the Republicans are pulling the wool over the average American's eyes, so to speak, because they are suggesting that people who are working are somehow on welfare and should not have the benefit of this child tax credit. And that is unfair, and it breaches the promise and the commitment that was made when we started working on this balanced budget agreement.

I yield now to the gentlewoman from Connecticut.

Ms. DELAURO. Mr. Speaker, I thank the gentleman from New Jersey for taking this time so that we can have a debate and discussion about one of the most important issues that we are facing in this Congress, and that is who is benefiting from these tax proposals that are on the table today, and I think you make the point working families today understand the sham that the Republicans are trying to pull on them. They do understand it. I tell you because it is evident in the data, and just a couple of points.

Sixty-one percent of Americans think the Republicans are out of touch with the American people, and they are right. Fifty-two percent of Americans think the rich would benefit most from the GOP tax plan, and they are right. Americans prefer the democratic tax plan over the GOP plan by a 2 to 1 margin, 60 to 31 percent, and Americans strongly prefer Democrats' education child tax breaks over the GOP's capital gains and estate tax breaks 63 to 32 percent.

It is important to mention those because the American public is truly seeing through what the Republicans in this House are trying to do.

The most disingenuous part of this debate is that there were several people on the floor here tonight. Now a number of them are new Members so that they were not here for the signing of the Contract With America. As my colleague will recall, this was done with great fanfare on the steps of the Capitol with the Speaker of the House, [Mr. GINGRICH] and the majority of the Republicans in this body. There was one gentleman on the floor tonight who did sign the Contract With America, and I would bet that those new Members here campaigned on the Contract With America.

Now they may never have read the Contract With America, or they have put it aside and want to forget what it is that they signed, what they talked about, because let me talk about the child tax credit that was contained in the Contract With America, and this is from a third party association, Center on Budget and Policy Priorities. This is not something that is a document of a Democratic organization or a group. This is an independent organization.

The child tax credit proposal included in the contract would have allowed the 500 per child credit to be applied against a family's net tax burden from the combination of the income tax, the earned income tax credit and the payroll tax. The contract included both the employer and the employee share of the payroll tax in determining a family's child credit. The contract proposal would have allowed many families that owe no income tax after the EITC is considered but pay hefty payroll taxes to receive the child credit.

The point in fact is that those who signed and those wannabees who wish they would have signed have walked away from the Contract With America. In fact, to put it in the vernacular, they welched on the deal, and now what they want to do is to claim that those families, teachers, waitresses, policemen, nurses, people who are working hard for a living, raising their families, scrambling to pay the bills, people who are paying taxes, working and paying taxes, are now all of a sudden, with my Republican colleagues, people who are on welfare.

Mr. Speaker, it is a disgrace, and they demonstrate their insensitivity and their lack of understanding of what working families are all about in today's society.

My colleague from New Jersey made a point earlier that people are paying taxes, property taxes, excise taxes, payroll taxes, and they pay a heftier chunk of those taxes than those who are at the upper end of the scale. And in fact those are the families who for the last 20 years have watched their incomes either stagnate or decline, and their tax burden increase, who now our Republican colleagues are saying these are folks who are on welfare. And they welched on this deal because what they want to do is to squeeze these folks in order to make it possible to index capital gains so that in the second 10 years of this tax proposal we would see an explosion of the deficit. And in addition to that, they would provide a $22 billion windfall tax break to the richest corporations in this country, the Boeings, the Exxons.

□ 2300

They would scale back the alternate minimum tax so that these corporations could in some instances wind up without any tax obligation at all. They will stand in the well of this House and they will talk about the Contract With America. I watched as the Speaker of this House punched the ticket as each item in the contract, he said, was being voted on on the floor of this House.

Yet, they would now either choose to forget what they signed, refuse to believe what they signed, lie about what they signed, walk away from what they signed, and talk about those folks who pay income taxes, who pay payroll taxes, and call them welfare recipients. It is a disgrace and it is outrageous.

As a point of fact, the President's proposal would only allow the child tax credit to those families who are working and who are paying taxes. Otherwise, you do not receive a child tax credit. You only receive the credit up to the amount of payroll taxes that you in fact pay.

My colleagues on the other side of the aisle have a lot of explaining to do. They are dealing in a lot of double-talk these days. But I go back to my earlier point, which is that the American public is not buying it, because the point of fact is that our Republican colleagues in fact do not understand and are insensitive to the lives or the needs of working middle-class families in this country.

The public has seen them for what they are and is going to reject this tax proposal they are making, and in fact we are going to reject it in this House and in the Senate, and the President is going to reject it as well.

I thank my colleague for allowing me to participate in this discussion tonight.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman for her comments. It was amazing, listening to the other side, to the Republicans tonight criticize the very concept of the earned income tax credit. They said we should not have it at all, and somehow suggested this was strictly a Democratic, liberal, or welfare proposal.

The bottom line is that President Reagan, who is their biggest ideological champion historically, I guess, was a big supporter of the earned income tax credit, and thought it was a great way for middle- and lower-income people who were working to get some kind of a tax break. As the gentlewoman mentioned, it was in the Republicans' Contract With America.

Earlier this year Senator LOTT, the Senate majority leader, in his proposal for tax cuts proposed that individuals who received the earned income tax credit would still be able to get the child tax credit. So this is a last-minute thing.

The reason it is happening, and it goes back to what I said before, is that we have a very limited pot of money here. If you are not going to balloon the deficit, if you are actually going to balance the budget with this bill, which is what supposedly we are doing, then you have a limited amount of money available for tax cuts.

If Members want to give these tax breaks, the capital gains tax breaks the way they have figured it out, the estate tax breaks the way they have figured it out, and the corporate tax breaks to the wealthy individuals, the wealthy families and the corporations, then you cannot take this limited amount of money and give it to middle-income people who are working. You have to find some way, as the gentlewoman said, to squeeze them so you can give this money to the wealthy corporations or individuals.

Of course, the other thing they do is at the end of the 10-year period, they start giving these breaks even more so with the capital gains indexing and the other things. As a result, they in fact

do balloon the deficit and the deficit starts to grow again. So it is totally an effort, a scam, essentially, on the basic purpose of this balanced budget bill.

Ms. DELAURO. Mr. Chairman, I have just one more point, if my colleagues would indulge me. The fact is they made a lot of promises. They made a lot of promises to their rich friends. They are squeezing, as the gentleman has said and as the other gentleman said, the lower end of the scale, because with that limited pot of money they cannot make the commitments that they want to do. They have been waiting a very long time to do a tax bill that in fact would reward the richest folks in this country.

The one final comment I want to make, which is what the gentleman said, is that there are some people who make an awful lot of money in this country, who do not do a lot of work for it. They do not do a lot of work for it. That is okay. That is okay. Maybe their parents or they inherited wealth, or whatever it was. That is okay.

But not when we have limited resources do we have to be in the business of providing the richest people in this country, the wealthiest corporations in this country, with an opportunity for tax relief which is deserved by hardworking middle class families.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman for her comments.

Mr. Speaker, I yield to the gentleman from Michigan [Mr. STUPAK].

Mr. STUPAK. Mr. Speaker, I thank the gentleman from New Jersey for once again organizing and participating in this special order, and also the gentlewoman from Connecticut [Ms. DELAURO] and our friend, the gentleman from Massachusetts [Mr. OLVER].

I would like to pick up a little bit on this earned income tax credit. In my district, the First Congressional District of Michigan, the northern half, actually the earned income tax credit, when we passed the deficit reduction bill in 1993, over 3,200 families in my district benefited from an expansion of the earned income tax credit.

The median income, median family income, in my district is only $27,482. That is the median income. These are the folks, if you had a husband and wife and two children, they would be entitled to an earned income tax credit at that median income. It is quite large in my district. Like I said, over 3,200 families could take advantage of it.

So what the Republican proposal said is if you are getting the earned income tax credit, you are not allowed to take the $500-per-child tax credit that is offered. When we look closely at their legislation, it is not just people on the earned income tax credit but other people who would not benefit from the $500-per-child tax credit.

The gentlewoman from Connecticut [Ms. DELAURO] said they may be welching, but according to the Center for Tax Justice and Policy, 45 percent of the young people under the age of 18 in Michigan would not be allowed to even take advantage of the $500-per-child tax credit because of the earned income tax credit or their family income or for some reason.

Look what we did in 1993. When we came here, and I came in 1993, I was elected in 1992, if Members take a look at what happened, we had an economy, and if Members take a look at Mr. Bush's economic adviser, Mr. Boskin back then, a week before President Bill Clinton took office Mr. Boskin projected the budget deficit to be $332 billion. Three hundred thirty-two billion dollars.

So the President came in, and after getting a grip on what was going on around here, we proposed the largest deficit reduction package ever seen in this country. In that deficit reduction package we expanded the earned income tax credit, because we knew those folks were playing by the rules, working hard, trying to stay off public assistance, needed a little extra help. We gave it to them in that vote, in that deficit reduction package.

It kept their heads above water, it kept them off public assistance. Every piece of income they received, whether it is an earned income tax credit or a per-child credit, because of their limited means, they spent it. They put money back into the economy. So that was sort of the plan that we did in 1993.

Look what we did since 1993 to reach a balanced budget. Why are we here in July of 1997, 4 years later, talking about giving tax breaks because we are on the verge of balancing the budget? We have already done so much of the hard work to reach a balanced budget.

Before President Clinton took office the deficit was a record number. In 1992 it was over $290 billion projected and headed up to $332 billion. In 1993 we worked with the Congress, the President did. We enacted his economic program to lower deficits and put more investment in people, in our own economy. The plan passed the Congress with only Democratic support. Members will remember, the Vice President had to break the tie in the Senate. But the Democrats, we stood by it and we paid for it. In the 1994 elections some people did not like the plan and we lost the majority of the House, but we did what was right for this country.

Since then, since that vote in August of 1993, the deficit has fallen by 63 percent. We are now looking at a deficit of somewhere around $60 billion. Some are saying it may even be $35 or $20 billion when we close our books on September 30. We have the smallest deficit since 1981, and it is the smallest percentage of our gross domestic product. It is the smallest since 1974.

So in fact the percentage of the deficit of our gross domestic product is going to be less than 1 percent of our gross domestic product here in 1997. Our friends that were out here an hour earlier, they were talking about how their budget is going to do this and that.

They came to power here in 1995. Guess what? They have not passed a budget yet. We have not had one budget passed yet. It has been continuing budget resolutions, continuing budget resolutions, of what? The Democratic plan to reduce the deficit, balance the budget, invest in people, and invest in our economy.

That is what happened because they have not passed their own budget. It has been, well, Members remember they could not pass their budget, so what did they want to do? Shut down the government. They did that. Just like on the disaster aid they did for the Dakotas, they got their own way.

But because of what we Democrats did, we approached the task and we are in better shape from a fiscal point of view than any other of the major industrial nations in the world. Both our deficit and our public sector are substantially smaller. We have the smallest Federal Government since the days of John F. Kennedy, back in the 1960's, even though the country has doubled. We have less people than back then, we have less people providing more service to this country, over 260 million people in this country.

We are clearly reaping the benefits of the success of cutting the deficit. We stand on the verge of it. So we are saying, if we are going to give tax credits, if we are going to give a $500-per-child tax credit, let us give it to the folks who really need it.

Those folks who get the earned income tax credit still pay their Social Security taxes, still pay State taxes. In fact, all year while they are working they are still taking income taxes out of their check. At the end of the year if their income falls below a certain level and they have so many dependents and people making up their family, then they get an earned income tax credit. It is a benefit at the end, but we are going to deny them a per child credit?

I have to share this with the Members. Just before I came down, I got a call. We were out here last week too, talking about this issue. A person from Marquette, Michigan, where I represent, was not happy with this idea of the earned income tax credit.

I got to talking with this lady. She did admit that at one time she had the earned income tax credit. It was okay for her, and she assured me she was only on it for a year, but what was it there for? She needed a helping hand. It was not a handout, we gave her a helping hand.

She got back on her feet, she was doing quite well. Now she wants a big capital gains tax. I am pleased she is looking at a capital gains tax, but at the same time, I am not going to leave behind those folks who are playing by the rules, working hard, trying to get ahead. They should get that $500-per-child tax credit and they should keep their earned income tax credit, because we will save money in public assistance, we will save money in education

and in other ways, and give them some hope, give them some future.

The earned income tax credit, we should expand it. We should put the $500-per-child tax credit in there. Those are the folks who should get it. Those are the folks we are trying to help out. Clearly, clearly, because of the Democratic plan that came forward in 1993, we are on the verge of balancing the budget right now. We are reaping the benefits of our success in cutting the deficit. We have an economy that in 4 years—before the President got here, there were very few jobs. Our deficits were at record levels. Business investments only grew, savings investments were all down, interest rates were up. Members remember those bleak old days.

Now there is almost euphoria because we stand on the verge of doing it. We are saying, as Democrats, let us give that $500-per-child tax credit to those people who really need it, and let us reinvest not only in our country, but also in the people who helped to make it.

Mr. Speaker, that is why I was very pleased to come down here tonight. To the lady that called me from Marquette, Michigan, I appreciate her call. I appreciate her honesty that even she at one time had to use the earned income tax credit. We should continue. Again, if we cannot reach out and help out our neighbor and the people who are providing the services, like the police officers and nurses, and even people who may work for city government or people who are disabled, remember, they pay taxes every day, in every shape and in every form, whether it is their Social Security tax, their FICA, their sales tax, their gasoline tax. We hear a lot about that. They are paying those taxes.

I think we as a country, the richest country in the world, the most powerful country in the world, a country that has their deficit under control, thanks to the Democrats, we certainly should reach out and help out those folks.

I was pleased to come down here tonight and join the gentleman in this special order. I appreciate all the hard work the gentleman has put in. Not only do we have the $500-per-child tax credit, but we have the education tax credit to help folks go to school.

The Democratic plan is well balanced. It helps out those who need it, people whose earned family income is less than $75,000. I told Members, in my district it was $27,482.

We look forward to passing the Democratic plan. I ask the President to stand firm with us. We will work this thing through. We will invest in people, we will invest in our economy. We will put consumer and business confidence back and continue it in this economy.

As we have shown over the last 4 or 5 years, the Democratic plan has been the plan that has lifted this country out of its doldrums, and we are now on the verge of balancing this budget. We are going to finish the job and at the same time invest in those people.

□ 2315

Mr. PALLONE. I was listening to the gentleman's comments and then comparing some of the comments that were made by some of our Republican colleagues earlier.

If the gentleman listened to them, what they were basically suggesting was that somehow what their proposal did, their Republican tax cut proposal, was to give money back to Americans but somehow ours did not. And the reality is that we are talking about the same pot of money here.

The question is, who is going to get it back? The individual who is middle income, who is making $20, $25,000 a year, gets the $500 tax credit back from the child tax credit, they are going to go out and spend it. And the wealthy individuals that the Republicans want to give the tax money back to, the tax cut back to, they are going to spend it as well, so in both cases the money is coming back to Americans. They are going to spend it, and that hopefully will fuel the economy.

But the question is, who is going to spend it? I think what you are pointing out is that the people that receive the earned income tax credit who should also get a child tax credit, they are spending it in many cases on basic necessities, food, housing, clothing, whatever. So there really is no difference between our points of view, other than who we are giving it to. We want to give it to middle-income working people.

Mr. STUPAK. Mr. Speaker, if the gentleman will continue to yield, the gentleman mentioned who is going to get it. Under their proposal, verified by Treasury and CBO and others, if you make more than $250,000, under the Republican plan they are going to get back $27,000. That is equal to the median income of the people in the First Congressional District of Michigan, which is $27,482. So they are going to give the wealthiest $27,000, which is equal to the median income in my district. And then those folks who are at the bottom 20 percent of the economic ladder, the people who depend on the earned income tax credit, who need the $500 per child, according to the same folks they are going to pay $63 more.

So I think we have it reversed. That was the difference back in 1993 between the Democrat proposal and the Republican proposal. Which one worked? Ours did.

We are now within striking distance of balancing the budget, first time since 1969. It is not the time to abandon the responsible, effective strategy of cutting the deficit and investing in our people that has resulted in the very strong economy we have today.

That is the Democrat proposal. That is the President's proposal. I urge all my colleagues to stand with us. We have done it. We should take some credit for it, but at the same time let us be smart about it. Give the break to those who need it. Let us invest in our people, because they put it back in our economy.

We have a strong, robust economy. And my colleagues know all the dire predictions: If we passed the Democrat plan back in 1993, there would be a great depression, massive unemployment. The deficits would be $700 billion. Just never materialized.

So we stand here tonight proud as Democrats of what we have done. We have more to go, and we are not going to give up this fight because our strategy is sound. We invest in people, and that is where it has to be.

Mr. PALLONE. Mr. Speaker, the gentleman pointed out, as did the gentlewoman from Connecticut [Ms. DELAURO] that a lot of promises and a lot of agreements are being broken here.

The gentlewoman from Connecticut [Ms. DELAURO] talked about the contract and the promise to give the child tax credit to everyone who was working and paying taxes. But this promise to reduce the deficit and balance the budget is also a major one that is being broken here. And the analysis that our colleagues on the other side kept bringing up tonight by the Joint Committee on Taxation, I believe was basically looking at the first five years of their proposal, and most of these tax breaks for the wealthy are coming at the end of the 10 years.

The Treasury Department and the other nonpartisan analyses that we have used and the Democrats have mentioned all look at this over the 10 years. What they point out is that with these big tax breaks at the end of the 10 years, this deficit, which as you know, Mr. Speaker, everyone here has been working so hard to try to bring down, now all of a sudden it will start to go up again and balloon and have the negative impact on the economy that we have been so concerned about.

So they are breaking another major promise there with regard to the deficit.

Ms. DELAURO. Mr. Speaker, if the gentleman will continue to yield, sometimes people think that some of the things that are said here at this hour are just something that is created out of whole cloth.

In terms of what you were saying about the second five years and the statistics being cited by our Republican colleagues, the Joint Committee on Taxation, I mean their work, quite frankly, has been debunked, what they have done, because they only look at the first five years.

In today's Washington Post, the people who wrote this bill, to quote, are not defending its distributional consequences; that is, how this money lays out to various groups in the economy. They are denying them. The plain facts are that the bill over time would not just mainly benefit the better off but would cost the government revenues it cannot afford. The bill is carefully written in such a way as to make the revenue loss look small at first. Then it soars. It is not just the Treasury that says so. Using accepted methods

and conventions of analysis, the Congressional Research Service and the vast majority of other analysts do so as well.

Congress's Joint Committee on Taxation says otherwise. The JCT was once the great redoubt of integrity in such matters. It has been converted into a political parrot. This is not only just the Washington Post but distinguished and reputable people are talking about the analysis done by the Joint Committee on Taxation as just now being a political tool and a political arm of the Republican majority.

Mr. PALLONE. Mr. Speaker, I think it is abundantly clear. If you listened, every reference tonight was to the Joint Committee on Taxation which, as you point out, every major newspaper and every nonpartisan analyst has said that this has just become totally politicized in only looking at the first five years.

Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. OLVER].

Mr. OLVER. Mr. Speaker, I thank the gentleman for yielding. I certainly want to thank him for taking the leadership, as he has continued to do, to bring these groups together to discuss this time after time after time.

I wanted to comment on exactly where he was going in one of his very recent comments there, wondering how do the people, how do people make a decision as to who to believe in a situation like this. In very hotly contested, controversial issue like this, there are claims and counterclaims that are laid down by different people.

I have been in the Congress, now in my 7th year, and it is easy to become quite cynical. I often wonder how it is that people do make those, reach those conclusions.

In this particular year in the tax debate that we have been going through, it seems to me it has been particularly difficult for the Republicans to sustain their deliberate misinformation, deliberate misinformation here about exactly who it is that is going to benefit from their tax cut plan. Because, as you pointed out, the Democratic House and the Republican House and the President and the Senate, which seems to have one plan all its own, but at least those four plans, there are four different plans, all of them are intended to give, because it was an agreement along those lines, exactly the same total amount of tax reduction in a period.

So my colleague from Connecticut points out that the opposite side only counts the portion, because it makes their point, that it is going to be done in the first five years; whereas the agreement that had been reached between the President and the congressional leadership was to cover a whole 10-year period and to make certain that they would not cause a return of deficits in the longer haul.

So it is much easier in this term, in this case to look at what the totals are. Economists from the conservative think tanks, economists from the progressive think tanks have all looked at the different plans and totaled up exactly how they are distributed over the period of time. Very easy to do. Hundreds and hundreds of columns have been written and editorials have been written in newspapers of every stripe all over the country.

Somehow out of all of this, out of all of these columns, people have listened. They have watched programs like this. They have read the editorials and the columns, and out of it all there is now the returns as to how people are thinking about it coming back in the polling that has been done.

A majority of Americans think and believe that the rich would benefit more from the Republican plan than from the Democratic plan. Of course, that is right. And Americans are very wise that way ultimately because they have come to understand that a Republican tax plan is going to benefit the rich. That is just a given about politics.

And then out of this they also have shown in the polling that they prefer the Democratic tax plan over the Republican plan by at least a 2-to-1 margin. That is very understandable, too.

One thing that comes out, however you cut it, slice things up, I want to use kind of an example and take my hand and use as the example cutting all of American families into five parts. The 20 percent of the wealthiest families over here, then down the line to the 20 percent who have the lowest income over at this end.

And the statisticians who have looked at this show quite clearly that the 20 percent wealthiest Americans under the Republican plan get two-thirds. Two-thirds of all of that equal amount total of tax reduction goes to this group.

In the Democratic plan, as it came through the House of Representatives, in the Democratic plan and in the President's plan, it turns out that two-thirds of all of the tax reduction goes to these three groups of families that represent 60 percent of all American families which are the American middle class.

So it is perfectly clear why 60 percent of Americans ought to prefer the Democratic plan, because at least that 60 percent of the families do better, do twice as well at least, all of the families in that middle income area do at least twice as well as they would under the Republican plan, whereas under the Republican plan of course it is only the very wealthiest 20 percent who get the vast majority of the tax reduction.

So there is a great deal of wisdom that comes through and people pick up out of all of what has been said and listening to it all very carefully. They come through with the right answer, that they should prefer the Democratic plan because the Democratic plan gives the vast majority of the money to the great middle class, that group of families in the center.

Then I would like to note one other thing that shows up from the polling, and that is that Americans prefer very strongly, by better than a 2-to-1 margin, the way the Democratic plan deals with cuts, tax cuts attributed to education benefits and those that relate to child tax benefits.

The Americans, by more than a 2-to-1 margin, prefer the Democratic plan on education and for child tax breaks over the Republican plan, which puts more of the money into capital gains tax cuts and estate tax cuts.

Now, why do they prefer the Democratic plan on education, for instance? Well, part of the President's proposal here has been that he is demanding and he is going to defend the idea that there is going to be $35 billion of tax reduction to provide benefits for people to be able to send their kids to college. That was part of the agreement that was reached between the President and the leadership here in the Congress from the majority party.

The difference is that the President, in his plan for giving education tax cuts, would allow a HOPE scholarship to provide up to $1,500, when it is fully phased in, for families in the first 2 years of college. And then in the second 2 years of college, he would allow 20 percent of their tuition costs, up to tuitions of $10,000, to be given in the way of a tax credit.

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The Republicans cut those benefits that would go to families that are trying to send their kids to college; would cut those deeply.

The gentleman's chart up there shows that it is almost in half for the HOPE scholarship, in the instance that the gentleman had done, but then to top it off, to top it off, really to add to the insult of cutting the education benefits in half essentially from what the President agreed to, they then raised taxes on graduate students, who also are going to school.

They raise taxes on the families who work for colleges and universities, whose kids are going to those same colleges and universities where they work. They would see an increase in taxes for them. And there are hundreds of thousands of them. And they would raise taxes on the men and women who teach in our colleges and universities by changing and increasing the taxes that they would pay on their retirement plans.

So what we have here is a situation where an agreement was reached to provide $35 million of tax reduction that would help people. And it is particularly middle income families who would be helped here, to help families put their kids through college.

The Republicans have been trying to weasel out on that agreement that they had reached. So that what they are doing is cutting the tax reduction less than what the President has asked for and, in fact, applying taxes to those groups that I mentioned, to the graduate students, to the families who

work at the different colleges and universities, and to the people who teach at those colleges and universities.

That is a pretty weasely thing to do and it is very much against the agreement that had been reached.

On the other hand, if we look at what the proposals are in terms of capital gains, the Republican way of dealing with the capital gains reduction is to give a large tax break to the super rich. Because it is the super rich who have the greatest amount, by a vast majority, by a vast margin of the capital gains in this country anyway. It is the people who have made their vast amount of money on the runup in the stock market and so forth, the very wealthy, who have large amounts in the stock market. They would get a huge benefit out of the capital gains tax reduction that has been proposed.

In the Democratic proposal, middle income families who, yes, some people have a few stocks, I even have a few stocks, but I am not one of those who plays around in the stock market, but I do have a few stocks. But for most middle income families, that three out of five families in the middle, whose income probably lies somewhere between $17,000 a year and somewhere around $75,000 or $80,000 a year, for those families the main thing that they would get or ever see a capital gain on would be their home.

Under the Democratic plan we provide for that capital gains tax reduction on an individual's home, so middle income families get that. But we would not give it for speculations on stock or for the sale of collectibles, stamp collections and coin collections and things of that sort. We would not do that because that is something that would benefit only the super rich.

We would prefer, on the Democratic side, to give the tax breaks to lower income working families in ways of allowing their kids to go to college and giving it on homes and small businesses and the transfers of small businesses, where most of the jobs in this country are provided anyway. That is how the Democratic plan would give out the capital gains tax reductions.

So people, again, prefer or they have shown by a better than 2 to 1 margin that they prefer the Democratic plan on the tax reductions and the President's plan on the education tax reductions over the way the Republicans deal with the education breaks, and would prefer our plan for its education cuts over the Republican plan which has those capital gains tax cuts that I have described as going very much to the very wealthy in this vote.

Again, they are showing the wisdom that Americans ultimately show in these sorts of situations. They have picked up exactly what it is that is going on out of all the rhetoric, out of all the claims and counterclaims, out of all the columns written and all the analyses being done on this, and clearly understand quite clearly which of these plans would be to their greater benefit.

Mr. STUPAK. If the gentleman would yield, on the capital gains tax, I think a very important aspect we should point out here is that underneath the Republican plan, the capital gains drops from 28 to 20 percent, then there is a 26 percent tax on the previously declared depreciation. It is called depreciation recapture, and it is a rather complex formula they have in their bill.

Underneath the Democratic plan, the gentleman is correct that ours goes from 28 percent to 18 percent, and it is for those on their home, small businesses, family-owned businesses transferred within the family members and farms. The point being that we can drop our capital gains greater, from 28 percent to 18 percent, because it is targeted to the middle class and, therefore, we can give a larger aggregate tax break to more people.

Underneath the GOP plan, they go from 28 to 20 percent then a recapture of 26 percent, and it costs us more money because it is geared towards the high income items; collectibles, intangibles, not real things like farms and homes and small businesses.

So I wanted to make the point that underneath the Democratic plan, actually people make out better underneath the Democratic plan, just from 28 to 18, where the Republican plan is 28 to 20 plus a 26 percent recapture tax.

So it is pretty interesting how it all breaks out, because it is all who is it geared for. Is it for the upper 20 percent of the middle class, to use the gentleman's five elements there. I have to go back to the old saying here, here is the upper 20 percent, and it goes to the old saying the rich get richer, the poor get poorer and those of us in the middle get squeezed. And I think the five fingers work pretty good for that.

And that is why under the capital gains, the HOPE scholarship, or even just the earned income tax credit, the $500 per child credit, that is how the Democratic plan works out so much better and reinvests in people and back in this country.

Mr. PALLONE. If I could just say, I am really pleased that the gentleman from Michigan [Mr. STUPAK] pointed out the capital gains difference, because I think the Republicans would like the public to believe that the Democrats are not reducing capital gains. In fact, they are reducing them, in many cases even more, but they are targeting them primarily to homeowners. Whereas as the gentleman mentioned, under the Republican plan it is basically across the board and, therefore, it means with stocks, bonds, collectibles, and all these other things that it is primarily going to the wealthy families.

I would yield back to the gentleman again.

Mr. OLVER. The crux is that we can look at the education tax proposals, we can look at the child tax proposals, and we can look at the capital gains tax proposals and the estate tax proposals and all the others. And each one of them has to be looked at and analyzed, and they have been analyzed by the economists both on the left and the right, and by those columnists and editorialists. And, ultimately, when we put it all together, ultimately when we put it all together, it just turns out that the Democratic plan gives these 60 percent of families in the middle, out of the combination, more than twice as much of the total tax reduction.

And it is equal in the different plans. The total is the same in the different plans. But the Democratic plan and the President's plan gives more than twice as much of that money to these middle income families, the 60 percent in the middle, whereas the Republican plan gives four times as much actually than the Democratic plan to that wealthiest, that wealthiest one out of five families in this country.

That is the major difference. That is what people understand about this. In its gross overall form, that is what I think people understand this year.

Mr. PALLONE. The other thing the gentleman from Massachusetts mentioned, that I think is so important and goes back again to what we were saying in the beginning, is that on the education tax cuts, again the Republicans are breaking the deal.

A commitment was made that a certain percentage of this tax cut plan in dollars was supposed to go to education tax cuts and it was primarily to be targeted to middle income people. And the President was the person who pushed the most for that because President Clinton believed very strongly that we needed a well educated America if we are going to compete in the global economy; that education was the most important thing for the future of the country.

His biggest criticism, and I even have some statements here from Secretary Rubin criticizing the Republican tax incentives with regard to education, is because he says it breaks the deal on the budget, it does not give enough money for education, and it particularly does not help people who are working people at the lower end of the spectrum, so to speak.

If I could just mention briefly some statements from Secretary Rubin's letter to the conferees, he says

> Both the House and Senate bills are inconsistent with the bipartisan budget agreement because they fall far short of meeting the specific agreement of providing roughly $35 billion over 5 years of higher education incentives along the lines of the President's HOPE scholarship credit and tuition deduction proposals. Each bill significantly reduces the value of education benefits for millions of students attending low cost institutions by cutting the percentage of expenses covered by the credit, 50 percent in the House bill, 50 to 75 percent in the Senate bill.

So it is those very students at the low cost institutions of higher education, the community colleges and the other low cost State colleges, that will get less tuition tax credit, which absolutely breaks the deal and makes no

sense, because they are the ones that needs it the most.

So that breaking the deal, I think the gentleman used the term weaseled on the deal, is exactly what we are getting here at every level. But most importantly, and that is what aggravates, I think, President Clinton the most, is on the education tax cuts, because that was the part of the balanced budget agreement he was most concerned about because of his concern about the future of the country.

Mr. OLVER. If the gentleman would yield further for just a moment. I think the President has made it absolutely clear what he will require in order for him to sign this legislation. He wants very badly to sign legislation for a tax reduction, but he is going to make certain that it goes chiefly to the middle class.

He is going to make certain that it does not explode deficits in the outyears so that we do not go through what we went through in the 1980's with the deficits reaching as high as $330 billion a year, as they would have been in fiscal year 1993 if we had not, as the gentleman from Michigan said earlier, if we had not gone through that very tough exercise in 1993.

And thirdly that it must encourage education, because that is the way that our people are going to grow in their opportunities, in their capacities to contribute to America and to their families.

Mr. PALLONE. And the amazing thing, too, going back to these higher education tax credits, is that under the Republican bill, after the first 2 years, because again remember we are trying to get and help people who are at the lower end of the spectrum pay for college education, still working people, though. And I wanted to read again from Secretary Rubin's letter, he says ''Neither bill, House or Senate, offers low income students and students who work to pay tuition meaningful help beyond the first 2 years of higher education. Instead, the bills require taxpayers to have the funds available to put into savings in order to be entitled to any assistance other than for the first 2 years.''

So not only do they take these working students and give them less for the first 2 years than the Democratic plan would, but unless they are in a position to have an IRA or some sort of special savings account, they would not get any help at all in the last 2 years of college. And we of course do the opposite and extend that credit, that education credit, through the whole 4 years of college.

And my colleagues know today that many students need the 4-year degree if they are going to be able to get into the work force. So again it makes no sense. It is geared to the wealthy, not to the middle income people.

And, obviously, this is not over yet, the budget negotiators are still at this, the President is weighing in, and I think all of us here joining in this special order tonight are only doing it because we hope that the people involved in these budget negotiations on the Republican side will wake up, come to their senses, so to speak, and try to help the average working American. This is not too late. This can still be done if they heed their constituents and the will of the American people.

I want to thank the gentlemen for participating in this special order.

BILLS AND JOINT RESOLUTIONS APPROVED BY THE PRESIDENT

The President notified the Clerk of the House that on the following dates he had approved and signed bills and joint resolutions of the following titles:

February 3, 1997

H.J. Res. 25. Joint resolution making technical corrections to the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104–208), and for other purposes.

February 28, 1997

H.J. Res. 36. Joint resolution approving the Presidential finding that the limitation on obligations imposed by section 518A(a) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1997, is having a negative impact on the proper functioning of the population planning program.

H.R. 668. An act to amend the Internal Revenue Code of 1986 to reinstate the Airport and Airway Trust Fund excise taxes, and for other purposes.

March 3, 1997

H.R. 499. An act to designate the facility of the United States Postal Service under construction at 7411 Barlite Boulevard in San Antonio, Texas, as the ''Frank M. Tejeda Post Office Building''.

March 19, 1997

H.R. 924. An act to amend title 18, United States Code, to give further assurance to the right of victims of crime to attend and observe the trials of those accused of the crime.

March 25, 1997

H.R. 514. An act to permit the waiver of District of Columbia residency requirements for certain employees of the Office of the Inspector General of the District of Columbia.

April 14, 1997

H.R. 412. An act to approve a settlement agreement between the Bureau of Reclamation and the Oroville-Tonasket Irrigation District.

April 24, 1997

H.R. 785. An act to designate the J. Phil Campbell, Senior, Natural Resource Conservation Center.

April 25, 1997

H.R. 1225. An act to make a technical correction to title 28, United States Code, relating to jurisdiction for lawsuits against terrorist states.

April 30, 1997

H.R. 1003. An act to clarify Federal law with respect to restricting the use of Federal funds in support of assisted suicide.

May 14, 1997

H.R. 1001. An act to extend the term of appointment of certain members of the Prospective Payment Assessment Commission and the Physician Payment Review Commission.

May 15, 1997

H.R. 968. An act to amend titles XVIII and XIX of the Social Security Act to permit a waiver of the prohibition of offering nurse aide training and competency evaluation programs in certain nursing facilities.

June 2, 1997

H.R. 1650. An act to authorize the President to award a gold medal on behalf of the Congress to Mother Theresa of Calcutta in recognition of her outstanding and enduring contributions through humanitarian and charitable activities, and for other purposes.

June 4, 1997

H.R. 5. An act to amend the Individuals With Disabilities Education Act, to reauthorize and make improvements to that Act, and for other purposes.

June 12, 1997

H.R. 1871. An act making emergency supplemental appropriations for recovery from natural disasters, and for overseas peacekeeping efforts, including those in Bosnia, for the fiscal year ending September 30, 1997, and for other purposes.

June 27, 1997

H.J. Res. 32. Joint resolution to consent to certain amendments enacted by the Legislature of the State of Hawaii to the Hawaiian Homes Commission Act, 1920.

H.R. 956. An act to amend the National Narcotics Leadership Act of 1988 to establish a program to support and encourage local communities that first demonstrate a comprehensive, long-term commitment to reduce substance abuse among youth, and for other purposes.

July 3, 1997

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

H.R. 1306. An act to amend Federal law to clarify the applicability of host State laws to any branch in such State of an out-of-State bank, and for other purposes.

H.R. 1553. An act to amend the President John F. Kennedy Assassination Records Collection Act of 1992 to extend the authorization of the Assassination Records Review Board until September 30, 1998.

H.R. 1902. An act to immunize donations made in the form of charitable gift annuities and charitable remainder trusts from the antitrust laws and State laws similar to the antitrust laws.

SENATE BILLS AND JOINT RESOLUTIONS APPROVED BY THE PRESIDENT

The President notified the Clerk of the House that on the following dates he had approved and signed bills and joint resolutions of the Senate of the following titles:

March 17, 1997

S. J. Res. 5. Joint resolution waiving certain provisions of the Trade Act of 1974 relating to the appointment of the United States Trade Representative.

March 31, 1997

S. 410. An act to extend the effective date of the Investment Advisers Supervision Coordination Act.

May 14, 1997

S. 305. An act to authorize the President to award a gold medal on behalf of the Congress to Francis Albert ''Frank'' Sinatra in recognition of his outstanding and enduring contributions through his entertainment career and humanitarian activities, and for other purposes.

June 18, 1997

S. 543. An act to provide certain protections to volunteers, nonprofit organizations, and governmental entities in lawsuits based on the activities of volunteers.

June 27, 1997

S. 342. An act to extend certain privileges, exemptions, and immunities to Hong Kong Economic and Trade Offices.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to: