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No. 105

## House of Representatives

The House met at 11 a.m.

The Reverend Dr. Ronald F. Christian, Chaplain, Lutheran Social Services, Washington, D.C., offered the following prayer:

God of all grace and mercy, we pause at the beginning of this workday to remember and give thanks.

With reverence and affection, we remember before You again this day 2 persons who in the course of performing daily duties, sacrificed their very lives as a part of their call to serve us all.

With gratitude and appreciation we remember all people who must summon the courage this day to face new challenges that are ahead in life's uncharted waters.

With a deep sense of our place in this moment of history, we remember all those who have formed and shaped us in such a way that we are able to recognize the importance of this hour and this day for our work and in our relationships.

Almighty God, we give You our thanks and our gratitude for the opportunity to serve You and in so doing help our neighbor. Dispose, we pray, this day and our deeds in Your peace. Amen.

### THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

### PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from California (Mr. MATSUI) come forward and lead the House in the Pledge of Allegiance.

Mr. MATSUI led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Repub-

lic for which it stands, one nation under God, indivisible, with liberty and justice for all.

### MESSAGE FROM THE SENATE

A message from the Senate by Mr. Lundregan, one of its clerks, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 158. Concurrent resolution designating the Document Door of the United States Capitol as the "Memorial Door".

The message also announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 1555. An act to authorize appropriations for fiscal year 2000 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 1555) "An Act to authorize appropriations for fiscal year 2000 for intelligence and intelligence-related activities of the United States Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints from the Select Committee on Intelligence: Mr. SHELBY, Mr. CHAFEE, Mr. LUGAR, Mr. DEWINE, Mr. KYL, Mr. INHOFE, Mr. HATCH, Mr. ROBERTS, Mr. ALLARD, Mr. KERREY, Mr. BRYAN, Mr. GRAHAM, Mr. KERRY, Mr. BAUCUS, Mr. ROBB, Mr. LAUTENBERG, and Mr. LEVIN; and from the Committee on Armed Services: Mr. WARNER, to be the conferees on the part of the Senate.

### ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The 1-minute requests will be at the end of legislative business today.

### FINANCIAL FREEDOM ACT OF 1999

The SPEAKER. The unfinished business is the further consideration of the bill (H.R. 2488) to amend the Internal Revenue Code of 1986 to reduce individual income tax rates, to provide marriage penalty relief, to reduce taxes on savings and investments, to provide estate and gift tax relief, to provide incentives for education savings and health care, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. When proceedings were postponed on legislative day of Wednesday, July 21, 1999, pursuant to section 2 of the House Resolution 256, 1 hour of general debate remained on the bill.

The gentleman from Texas (Mr. ARCHER) and the gentleman from New York (Mr. RANGEL) each have 30 minutes remaining.

The Chair recognizes the gentleman from Texas, (Mr. ARCHER).

Mr. ARCHER. Mr. Speaker, I yield 3 minutes to the gentlewoman from Washington (Ms. DUNN), a very highly regarded and respected member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, I rise today to express my enthusiastic support for the Financial Freedom Act of 1999. This bill provides essential tax relief for every American who wants to secure a better future for himself or herself and for their children. No other provision, Mr. Speaker, is as historic in this bill as the elimination of the death tax.

The freedom to obtain prosperity and to accumulate wealth is uniquely American; and when unfettered, it is a wonderful thing to behold. Yet, the current tax treatment of a person's life

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



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savings is so onerous and so burdensome that children are often forced to turn over half of their inheritance to the Federal Government. It is as wrong as it is tragic, and it dishonors the hard work of those who have passed on.

Today, Mr. Speaker, less than half of all family-owned businesses survive the death of the founder, and only about 5 percent survive to the third generation. Under current law, it is cheaper for an individual to sell his or her business prior to death and pay the capital gains than pass it on to their children. This is indeed terrible public policy.

As a result, Congress has tried over the years to provide targeted death tax relief to certain people. First, we adopted a unified credit to protect small estates from taxation. With the rising tide of small business growth and the proliferation of retirement annuities, however, many middle class families are being pushed above this exemption.

Secondly, Congress, in 1997, adopted a family-owned business exemption in addition to provide additional relief to families and to small family farms. It was a good idea at the time, but this exemption has proven to be a real boondoggle. It is a boondoggle for attorneys who must be hired by families trying to navigate their way through the 14-point eligibility test.

I recently asked an estate planner who advises 200 family-owned businesses how many of his clients qualify for this new relief. His answer was 10 out of 200. On average, only about 3 percent of family-owned farms can qualify under this provision. As much as we try, it is just impossible to duplicate in law the complex relationships that exist in families in the real world.

It is time to be bold.

The Financial Freedom Act offers the only true relief that will work to complete the elimination of the death tax. The death tax is not a tax on wealth, it is a tax on the accumulation of wealth. That is why it is supported by the Black Chamber of Commerce, who feel that they have 3 generations to put together a legacy to create their power base in this society, and the death tax is their enemy. It is supported by the Hispanic Chamber of Commerce and the National Indian Business Council. These groups understand the truly devastating impact that the death tax has on the pursuit of wealth and power in our society.

Mr. Speaker, I urge my colleagues to support the Financial Freedom Act. It encourages savings, investment risk, and the creation of wealth. It is also time, Mr. Speaker, I believe, to honor our most fundamental values, not tax them.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. MATSUI), a senior member of the Committee on Ways and Means.

Mr. MATSUI. Mr. Speaker, I thank the gentleman from New York, the ranking member of the Committee on Ways and Means, for yielding me this time.

Mr. Speaker, in January of 1995, after 1 year of taking over the House of Representatives, the Republicans took probably the most irresponsible act I have seen in my 21 years in Congress when they shut down the Federal Government for a period of about 2 weeks. We had the threat of perhaps Social Security checks being withheld, veterans' benefits being withheld.

I have to say that as I stand here on the floor of the House today, the tax bill that they have before us and the vote that they will take in a few hours is the second most irresponsible act that they have had in the last 5½ years since they have taken control of this institution.

If this bill ever became law, and God forbid if it did, we would be cutting veterans' benefits by some 25 percent over the next 10 years, we would be cutting education benefits by 25 percent over the next 10 years, we would be cutting Social Security and Medicare, and the Republicans whom we will be hearing from during the course of this debate, they have a lockbox that preserves the Medicare surplus and the Social Security surplus.

That will only maintain the status quo. You will still have a cash flow problem in the year 2013, 14 years from now. And by the year 2035, just a generation from now, the whole Social Security system, in fact, will go bankrupt. That will be the consequence of this legislation.

The legislation also does one other thing, and we have not been able to get really a distribution table to find out exactly where the benefits will go, but we do know some things. Over the next 10 years, people making \$300,000 and above, families making \$300,000 and above will get about 50 percent of this tax cut. So we are going to take away from veterans, we are going to take away from education, and we are going to take away from Social Security recipients to give to the most wealthy Americans in this country.

So the fact of the matter is that this bill again is second in the most irresponsible act that I have seen in my 21 years here, next to the closure of the Federal Government in 1995.

Mr. ARCHER. Mr. Speaker, I yield 3 minutes to the gentleman from Iowa (Mr. NUSSLE), another respected member of the Committee on Ways and Means.

Mr. NUSSLE. Mr. Speaker, come on. I would say to my colleague from California, I mean people out there listening to this, it cannot be as bad or as good as anybody is saying.

Cutting education benefits. Last night we heard from colleagues saying, this is really small. It has no impact on my district at all. In fact, somebody came to the floor and said, my constituents only get \$1 a month. And now we have colleagues coming to the floor saying this is the most irresponsible, devastating legislation to ever meet the Congress of the United States. Education benefits will be cut; veterans

thrown out on the street. My goodness, how can it be that good and that bad all in one bill?

Well, let me suggest to my colleague that it is not that good or that bad, but it does come down to a fundamental principle that all of us have to come to grips with.

Number one, whose money is this? Whose money are we talking about? It is not yours, and it is not mine. It is not the Democrats'. It is not the Republicans'. It is not the Committee on Ways and Means. It is not the House of Representatives. This is not the government's money. These people who work so hard in your district, in my district, to send that money to Washington, it is their money, number one.

Number two, we are not giving the money back. We are saying, keep it. We are saying, we believe you are good people in a great Nation who make better decisions about your daily lives than the government can for you. And yes, we need some of those resources to operate the Federal Government, but when we take enough, when we take too much, we are going to allow you to keep it in the future, because we believe you spend that money more wisely.

Number three, I would ask the people who are listening to this debate, and I ask the Speaker and my colleagues to just speak common sense, what would you do if you had a little bit of extra money. This is what we are proposing. This is what the bill does. Throwing veterans out in the street, cutting education. Come on. We heard Medicare; we heard all of that for so many years. Nobody out there believes that. Nobody out there believes that. This is a great country. We do not do that to people.

What we do is we say some of the money ought to go back to people and just stay there, let them spend it, and the rest of it ought to go to debt relief. We have an opportunity to pay down the national debt, the first time since 1969 that any serious attempt at all will be made to pay down the national debt. Is it enough? No, I would like to pay down more.

Is this enough tax relief? No. I would love for people to be able to keep a little bit more. But this is a responsible balance. One-third tax relief; two-thirds debt relief. I would ask the people that are listening, does that not make sense, to keep a little bit and pay down the debt.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Maryland (Mr. HOYER).

Mr. HOYER. Mr. Speaker, I thank the distinguished gentleman from New York for yielding me this time.

I came here in 1981. We had a \$749 billion tax cut on the floor, and the rhetoric I heard was the same. The people need to keep their money.

□ 1115

We do not need all the money. We need to downsize government. And so we passed a \$749 billion tax cut and we

quadrupled the debt on our children and on our grandchildren, because we did not pay our bills.

Ronald Reagan and George Bush asked for more spending in those 12 years than the Congress appropriated.

My friend says that we want to have people keep the money. That would be very nice. But guess what? The trigger which does not affect the middle class, the trigger that does not affect the middle class is that trigger which says the capital gains tax, the estate tax, and the other taxes that go to our most wealthy citizens will not be affected if the debt goes up, because they are locked in. It is only the little guys who will be adversely affected if the debt goes up.

Situation normal.

The same old same old or, as Ronald Reagan said in that famous debate, here we go again; on the road to more and more debt, not saving Social Security, not making sure that Medicare is there for those in the future.

I would say to my colleagues that debt that they talk about paying down is all Social Security. Why? Because the trillion dollars that they use for the debt relief is the on-budget operating surplus. No money for defense, no money to stabilize and keep secure our economy.

Here we go again. We did it in 1981 and quadrupled our deficit. Let us not do it again to our children and grandchildren.

Mr. ARCHER. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. ENGLISH), another respected member of the Committee on Ways and Means.

Mr. ENGLISH. Mr. Speaker, I thank the chairman, the gentleman from Texas (Mr. ARCHER), for the opportunity to speak and I congratulate him on his extraordinary tax bill that we bring to the floor today.

The Financial Freedom Act of 1999 legislation is a huge step toward restoring the American dream for millions of American families, the rhetoric on the other side notwithstanding. What they do not get is that in a market economy, robust economic growth is the most important catalyst for social justice. A growing economy means greater opportunity for all and greater access for the American dream.

The Financial Freedom Act will stimulate economic growth by rewarding savings and investment and reducing the tax burden on the American economy. It does this by reducing all, all, individual income tax rates, cutting the capital gains tax, allowing small business a larger write-off on investments to create jobs and repealing the AMT, the most anti-growth feature in the current Tax Code.

Mr. Speaker, it would also benefit communities and industries that have been passed by in the current prosperity. It contains tax relief for family farms and tax relief for our beleaguered domestic steel industry. It also calls for the creation of new American

renewal communities in some of our most distressed localities where investment in old neighborhoods and new firms would be greenlined under this bill and low-income residents would be given new incentives to save through family development accounts for the thrifty.

Finally, the Financial Freedom Act of 1999, instead of cutting education funding, makes college more affordable by extending tax breaks on student loans, permitting private universities to offer tax-deferred prepaid tuition plans and exempting the earnings of all college tuition plans from taxation. In doing so, it makes the dream of higher education more accessible for millions of students in the struggling middle class.

Mr. Speaker, now that the House Republicans have set aside an unprecedented \$1.9 trillion for Social Security and Medicare, programs that they looted like Visigoths when they were in the majority. We embark today on an effort to return some \$790 billion to the American taxpayer, growing the economy, and creating individual opportunity in the process.

This legislation is much needed and well-deserved tax relief for the American people. I urge all of my colleagues to set aside the empty partisan rhetoric and to vote in favor of this important legislation. Strike a blow for a growing economy. Strike a blow for the middle class. Vote for this legislation.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. NEAL), a distinguished member of the Committee on Ways and Means.

(Mr. NEAL of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. NEAL of Massachusetts. Mr. Speaker, Members on both sides of the aisle have said that the tax bill reported by the Committee on Ways and Means is a bill that makes budget priorities clear. These Members are right. This is a debate about Social Security and Medicare and paying down the Federal budget debt.

Our priority on the Democratic side is clear. It is saving Social Security first, fixing Medicare, and making sure the Federal deficits from the last era do not return under an unreasonable tax bill offered by the Republican Party.

As we all know, the 1981 tax bill was the leading cause of deficits we incurred during the past 15 years, but the Republican slogan today is clear. Extremism in the pursuit of a tax cut is no vice.

This priority is a reckless tax bill based upon uncertain economic projections and based on unlikely assumptions about Draconian cuts in the future of government spending: programs like law enforcement, farm aid, education, veterans programs, to name just a few. They almost could not even get this tax bill to the floor because the moderates in their own party are

suspicious of where this legislation will take us.

On the Democratic side, we are not saying we are against tax cuts. We are simply saying, fix Social Security and Medicare first. Leave enough of a reserve to pay down the Federal debt and then talk about a modest tax cut initiative aimed at working class Americans, not the wealthiest among us who are not even clamoring for a tax cut at this time.

Social Security is the Nation's premier program. It is the greatest achievement legislatively of this century. It has been crucial to the way elderly Americans have lived during the last 60-plus years and we have a chance now to protect it. Reject this bill. It is irresponsible and reckless.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Kentucky (Mr. LEWIS), another respected member of the Committee on Ways and Means.

Mr. LEWIS of Kentucky. Mr. Speaker, today I think the question in this debate boils down to one thing: Who do we trust?

I arrived here in 1994, at the end of the 40-year period of Democrat rule of this House of Representatives. They were running 200-plus billion dollar deficits and created a \$5 trillion debt. Government was growing at an exponential rate. They were ready and willing to place upon this country a government program that would have taken us over the line, a government program called socialized medicine. There was not enough money for them to spend. They just kept taking it out of Social Security and Medicare, wherever they could get the money to create larger government all the time.

To hear them talk about debt reduction is amusing. Talk about revisionist history. We listened to it last night.

When I came here, I signed a contract, the Contract with America, that would balance the budget, that would cut taxes, that would reform welfare, that would reduce the size of government and allow people to keep more of their money. They fought it every inch of the way.

Yes, there was a government shutdown. Know why? Because the President would not sign the Balanced Budget Act that he is so wonderfully willing to take credit for today.

The question is, who do we trust?

They did not get the title "tax-and-spend" liberals for nothing. I think it is a very appropriate title and it still sticks with them today.

The question is who do we trust? It is like if we believe them, it would be like asking Jessie James to guard the bank vault for a little while. I do not think we want to do that. I do not think we want to go back to 40 years of tax-and-spend liberals.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Baltimore, Maryland (Mr. CARDIN), a member of the committee.

Mr. CARDIN. Mr. Speaker, I was listening to my friend. I believe in the

Contract with America there was the provision that it is wrong for us to enact laws that apply to the private sector and do not apply to us. One of those laws is truth in advertising. If we are going to comply with that law, this bill should not be called the Financial Freedom Act of 1999. It should be called the Financial Irresponsibility Act of 1999.

Let us talk about debt reduction. My Republican friends say they are using two out of every three dollars for debt reduction, assuming there is \$3 trillion in surplus in the next 10 years. There is only \$1 trillion in surplus. The other \$1.9 trillion is in Social Security and we all agree that needs to be lockboxed. However, the Republican bill spends it. We do not have it.

Then they spend the \$1 trillion before we even receive it. There is not a dime for deficit reduction in their proposals.

Truth in advertising. They jeopardize our economy. Then they talk about the thousands of dollars on a per capita basis that my constituent is going to receive. Why do they not tell everybody that that is a 10-year cumulative number? Their tax year of 10 percent does not become real this year; only 1 percent during the next 3 years. We have to wait for 9 years for half of that to come into effect. Truth in advertising. Tell the people what they are doing.

The height of irresponsibility is what happens in the out-years. They advertise this to be \$1 trillion with interest during the first 10 years, but it balloons to another \$3 trillion in the next 10 years, just as the baby boomers are reaching age for Medicare and Social Security. They cannot do this bill and Social Security and Medicare. It cannot be done. They spend the Social Security money. They spend the surplus money twice. That is irresponsible.

Then the Speaker tells us there is a provision in this bill to deal with the earnings limit, giving our seniors hope they can earn more. That is not in this bill. Truth in advertising. I know we have a speech and debate clause that protects us for our truthfulness on the floor, but let us be honest with our constituents. We have a chance to do it in the motion to recommit. It speaks to the priorities that we should be talking about. Fifty percent for deficit reduction; 25 percent for tax relief; and 25 percent for the other priorities, Social Security, Medicare, and veterans benefits.

Support the motion to recommit.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. SMITH).

(Mr. SMITH of Michigan asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Michigan. Mr. Speaker, I am a farmer from Michigan. There is a lot of hogwash and rhetoric being shoveled on this tax debate. So I challenge, Mr. Speaker, the American people to try to separate the hay from the chaff.

I came into Congress in 1993. It was a Democratic majority at that time and what they and the President did first off was increase taxes by \$280 billion over the 5 years of the budget. They used the, \$280 billion tax increase to grow government.

Let me report what this tax bill we're discussing today does over 5 years. It reduces taxes \$156 billion and reduces the public debt \$800 billion.

What happened in 1993 was a slow-down of the economy. Four and a half years ago, the Republicans took the majority. The first thing we did in this Congress was have a rescission bill that reduced expenditures. We have held the line on expenditures. The Democrats have been complaining that Republicans are too frugal, they are not spending enough money. I look at the bill of the gentleman from New York (Mr. RANGEL) that he is going to offer as a substitute, and as it turns out it is a tax increase.

It is consistent with what the President has suggested. The President has schemed in his budget that we have a tax increase of \$100 billion and that we expand the spending of government by that \$100 billion. If the papers are correct, the Democrat leader over in the Senate is suggesting that we use one-third of the surplus to have a tax cut; we use two-thirds to expand this government. That is the danger. Who believes if we do not get this money out of town and back in the pockets of the workers that earned it, Washington politicians are not going to spend it. Unlike the growing of crops on the farm, the growing of government is not good. I am very interested and concerned with paying down the debt. Republicans have been in the majority for 4½ years. In that time we have cut spending, stopped spending the Social Security Trust Fund money and balanced the budget. For most every year that the Democrats were in the majority prior to 1995, they spent the Social Security Trust Fund surplus on other government programs and increased the debt of this country to \$5 trillion.

In the first 5 years of this tax proposal we pay down the public debt by \$900 billion; \$900 billion. Also we are doing more. With the tax cut we now require that Washington reduce the debt. Now we have a trigger.

I would say to the gentleman from Texas (Mr. ARCHER), I hope the conferees will proceed with dedication to make sure that this tax bill assures that we continue our effort to pay down the debt.

□ 1130

Mr. RANGEL. Mr. Speaker, I yield 2½ minutes to the gentleman from Georgia (Mr. LEWIS), a member of the Committee on Ways and Means.

Mr. LEWIS of Georgia. Mr. Speaker, the Republican tax bill is a "do-nothing" bill. It does nothing to protect Social Security, nothing to strengthen Medicare, nothing to reduce our national debt, and next to nothing to help working Americans.

Mr. Darrell Stinchcomb is a fifth grade teacher in the Atlanta public school system. Darrell loves to teach and works hard to educate the next generation. In return, he earns \$32,000 a year. Unfortunately, this Republican tax bill does almost nothing to help working Americans like Darrell. Under the Republican plan, Darrell would get a tax cut of just \$20 a month, \$240 a year. Yet a person earning \$200,000 a year or more would get a tax break of over \$9,000. \$240 for working people like Darrell, \$9,000 for the richest people in America. That is not right. That is not fair. That is not just. It is a shame and a disgrace.

Most working Americans will receive little or nothing under the Republican tax bill. It does nothing, not one thing, to protect Social Security and Medicare. Nothing, but nothing, to reduce the national debt. A thousand for the rich, pocket change for working Americans. That is the Republican tax bill.

Mr. Speaker, when I was growing up in rural Alabama, I was responsible for raising the chickens. The first lesson I learned was never, ever to count your chickens before they hatch. This Republican tax bill spends billions of dollars before we have it in the bank. It is a mistake. It is irresponsible. It is not the right thing to do.

We finally have an opportunity to protect the future of Social Security and Medicare, not just for ourselves and our parents but for future generations. The Republican tax bill is a step in the wrong direction. It is a step backward. I urge my colleagues to defeat this irresponsible bill.

Mr. ARCHER. Mr. Speaker, I yield 1½ minutes to the gentleman from Louisiana (Mr. MCCRERY), another respected member of the Committee on Ways and Means.

Mr. MCCRERY. Mr. Speaker, I rise today primarily to thank the Chairman of the Committee on Ways and Means, the gentleman from Texas (Mr. ARCHER), to thank him for having the wisdom and the courage to put together a tax bill that addresses not just the high-profile popular calls for tax relief that grab the headlines and provide us politicians with applause lines, but a tax bill that provides tax relief to the business community in the United States in a way that will result in greater availability of capital in this country for investment, more jobs being created here, and more jobs being saved here.

This is not only a responsible tax cut, it is a needed tax cut if we want American companies to be competitive in the world marketplace in the next century.

Look, remember 2 years ago, when we Republicans cut taxes? We were called irresponsible then by the same people in the opposition party that are today calling us irresponsible for offering this tax cut. Remember their words? "You cannot cut taxes and balance the budget." How many times did I hear that? Well, obviously they were

wrong then. We did cut taxes and balance the budget. And they are wrong today.

Mr. Speaker, I thank the gentleman from Texas for putting together an excellent tax cut and for helping American companies and American workers.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. MCNULTY), a member of the committee.

Mr. MCNULTY. Mr. Speaker, I thank my leader for yielding me this time.

My father and my grandfather, two great public servants, taught me that Harry Truman was one of the finest presidents in the history of our country, and I think that that was because he was possessed of such wonderful common sense. As a matter of fact, he became known for saying "Let's look at the record." And, Mr. Speaker, I think that is what we ought to do today.

In 1981, Ronald Reagan came to office and promised the Nation a balanced budget in 3 years. He never delivered on that promise. Not in 3 years, not in 4 years, not in 8 years, not in 12 years of the Reagan and Bush administrations. As a matter of fact, the opposite occurred.

Because of the huge tax cut which was implemented at the beginning of his term, we had larger and larger deficits throughout those years, \$200, \$300, \$400 billion. And, yes, we quadrupled the national debt. All of the debt, Mr. Speaker, of the United States of America from George Washington to Jimmy Carter amounted to less than \$1 trillion. And in the 12 years of the Reagan and Bush administrations that went to over \$4 trillion. That is the record.

In 1993, Bill Clinton came to office and he promised to reduce the budget deficits. He did a lot more than that, Mr. Speaker. He eliminated them. And now we are having this wonderful debate about what to do with the extra money. That is the record.

We have a decision to make, Mr. Speaker. We can go with the policy of the 1980s, which gave us ever-increasing deficits which quadrupled the national debt, or we can do what I am going to do. I am going to stick with the winners, with Clinton and Gore and Gephardt and that man sitting right there, the gentleman from New York (Mr. RANGEL), and I am going to support his program of saving Social Security, saving Medicare, and reducing the national debt.

Mr. Speaker, I urge my colleagues to reject this bill and to support the Rangel substitute.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Connecticut (Mr. SHAYS).

Mr. SHAYS. Mr. Speaker, I thank the distinguished Chairman of the Committee on Ways and Means for yielding me this time.

I have spent 12 years of my life in this place working with others to try to get our country's financial house in order and balance the Federal budget.

And as hard as we worked, we really did not see much improvement until Republicans gained the majority in this House. When we gained the majority, we saw deficits projected of \$100 billion, \$200 billion dollars, going out for years and years and years.

Because of our efforts, we have reversed that. And now we have a budget surplus, projected over the next 10 years, of \$3 trillion. Two trillion of those dollars we are setting aside for Social Security and Medicare, and we are going to pay down debt. One trillion is the true surplus outside the trust funds. And that is what we are debating.

I am absolutely convinced my colleagues on the other side want to spend it. And I believe if we leave it on the table, it will be spent. Absolutely convinced of it. And then 10 years from now we will have a higher level of government spending and we will need to deal with incredible expenditures that will come in the future, and our baseline will be very, very high.

Instead, we want to cut taxes. Not all of the \$1 trillion. It may be, by the time we are done, \$500 to \$800 billion. They are tax cuts that help generate economic activity, and they are tax cuts that help families, and they are tax cuts that help education and allow us to deduct for health care. If we leave it on the table, it will be spent; and our spending base will be that much higher. If we return it in tax cuts and phase them in over time, I am absolutely convinced our economy will grow. But if, in the future, we find it does not, we do not have to implement the entire phase-in.

This is very responsible, and I say this particularly to Republicans: this is the most important thing we can do to finish what we started.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. BENTSEN).

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I rise in strong opposition to the Republican leadership's tax bill. This is the wrong policy at the wrong time that will only add to the national debt at the expense of Social Security and Medicare. We are debating a trillion dollar tax cut that is going to grow to \$3 trillion in 20 years on assumptions that may well not pan out.

Nearly 20 years ago, then Senate Majority Leader Howard Baker of Tennessee called the Reagan tax cut a river boat gamble. I predict that like that gamble in 1981, this bill, too, if enacted, will result in increasing the national debt many times over.

It is a shame that after spending years of crawling out of the supply-side hole the Republicans put us in back in 1981, they now want to dig a new ditch, and even deeper.

What will this gamble cost in real terms? \$3 trillion over 20 years. What will happen if the non-Social Security

surpluses do not materialize? We will drive the Nation deeper into debt and jeopardize the future of Social Security, Medicare, and the American economy through rising inflation, higher interest rates, and a weak dollar.

This is the wrong idea, it is a bad idea, and we ought to defeat this plan.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. First, Mr. Speaker, the trigger. It is not a trigger; it is a shot in the dark at the last minute. Let me tell my colleagues why. It is not tied to the debt but to interest on the debt, gross interest, that can go up as trust funds increase.

There also can be a perverse result. If there is a recession, there would be no tax cut. And then when we come out of a recession, a tax cut.

It applies only to the income tax, not to the other tax reductions. So what it applies to is the least regressive. One-third goes to 1 percent, another one-third goes to the 9 percent highest income earners in this country, and only one-third goes to 90 percent of taxpayers. It is already terrible enough in terms of its regressivity.

One last thing. According to the CBO, the debt subject to the limit does not decline until 2006, and that assumes no tax cut. So if we look at this trigger, it may result in no income tax reduction across the board through the first 10 years. It just does not make any sense.

Secondly, I want to show my colleagues this chart, the explosion in the second 10 years of a \$3 trillion revenue loss. That is the same period when Social Security surpluses begin to fall, when Medicare runs out of money in 2015, when non-Social Security budget surpluses begin to fall.

This is reckless, reckless, reckless. It sells out our ability to act on Social Security and Medicare for the long run. Vote a resounding "no" on this bill and support the motion to recommit as well as the Rangel substitute bill.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Indiana (Mr. MCINTOSH) for the purpose of a colloquy.

Mr. MCINTOSH. Mr. Speaker, let me add before we begin the colloquy, that I, too, want to thank the gentleman from Texas (Mr. ARCHER) and the Committee on Ways and Means for bringing this bill to the floor. It has been said, and I agree, this is the most important piece of legislation that this Congress will pass. The gentleman has reached the soft underbelly of the tax-and-spend crowd by taking the revenues off the table and returning it to the American people, and I thank the gentleman for doing that.

As the chairman knows, along with many others in our conference, the gentleman from Mississippi (Mr. PICKERING) and I have been very interested

in making sure that the tax bill before us includes as much relief as possible for those American taxpayers who are paying entirely too much in taxes solely because they are married.

Mr. PICKERING. Mr. Speaker, will the gentleman yield?

Mr. MCINTOSH. I yield to the gentleman from Mississippi.

Mr. PICKERING. Mr. Speaker, I, too, would hope that when the gentleman from Texas goes to conference on this bill, that he will make an effort to see the amount of money used to provide relief to these married taxpayers is significantly greater than the amount set forth in the House bill.

I also want to join my colleague, Mr. Speaker, in thanking the gentleman for his leadership on a great package of tax relief and thank him for his assurances on this issue as well.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. MCINTOSH. I yield to the gentleman from Texas.

Mr. ARCHER. Well, I would say to both of the gentlemen, Mr. Speaker, that they have exemplified great leadership on giving couples marriage penalty relief, and they can be assured that in the conference, with the concurrence of the Senate, the amount of money designated for marriage penalty relief will be above the level in the House bill.

I think I also must add that a lot of credit goes to many, many other Members who have joined with these two gentlemen on this issue, particularly two members of the Committee on Ways and Means, the gentleman from Illinois (Mr. WELLER) and the gentleman from California (Mr. HERGER).

□ 1145

I think all of the country can be thankful for all of my colleagues.

Separately, Mr. Speaker, I am including in the RECORD at this point an exchange of letters with the Committee on Education and the Workforce, and an explanation of my amendment to H.R. 2488 making the reductions in the across-the-board tax rate reductions contingent on the annual change in the government's interest expenses on the total U.S. debt.

COMMITTEE ON WAYS AND MEANS,  
Washington, DC, July 21, 1999.

Hon. WILLIAM F. GOODLING,  
Chairman, Committee on Education and the Workforce, Washington, DC.

DEAR CHAIRMAN GOODLING: I write to confirm our mutual understanding with respect to further consideration of H.R. 2488, the "Financial Freedom Act of 1999." H.R. 2488 was ordered favorably reported by the Committee on Ways and Means on July 14, 1999. Title XII of H.R. 2488, as reported, contains nearly 40 pension provisions in the tax code designed to improve retirement security.

As you know, on July 14, 1999, the Committee on Education and the Workforce ordered favorably reported H.R. 1102, the "Comprehensive Retirement Security and Pension Reform Act." The bill, as introduced, was referred to the Committee on Ways and Means, and in addition, to the Committee on Education and the Workforce, and the Committee on Government Reform.

Titles I-V of the bill, as reported, contain many of the tax provisions included in H.R. 2488, and Title VI contains comparison amendments to the Employee Retirement Income Security Act (ERISA) approved by your Committee.

In order to expedite consideration of H.R. 2488, you agreed to refrain from asking the Rules Committee to make in order an amendment to H.R. 2488 to include the provisions of Title VI of H.R. 1102, as reported. This was based on the understanding that I would continue to work with you to include agreed upon pension provisions within the jurisdiction of the Education Committee in the final conference report on H.R. 2488, and that I would not object to your request for conferees with respect to matters within the jurisdiction of your Committee when a House-Senate conference is convened on this legislation.

Finally, I will include in the RECORD a copy of our exchange of letters on this matter during floor consideration. Thank you for your assistance and cooperation in this matter. With best personal regards,

Sincerely,

BILL ARCHER,  
Chairman.

COMMITTEE ON EDUCATION AND  
THE WORKFORCE,  
Washington, DC, July 22, 1999.

Hon. BILL ARCHER,  
Chairman, Committee on Ways and Means,  
Washington, DC.

DEAR CHAIRMAN ARCHER: Thank you for your letter and for working with me regarding H.R. 2488, the Financial Freedom Act. As you have correctly noted, Title XII of H.R. 2488, as reported, contains numerous pension provisions designed to improve retirement security. As you also know, on July 14, 1999, the Committee on Education and the Workforce ordered favorably reported H.R. 1102, the "Comprehensive Retirement Security and Pension Reform Act." The bill, as introduced, was referred to the Committee on Ways and Means, and in addition, to the Committee on Education and the Workforce, and the Committee on Government Reform. Titles I-V of the bill, as reported by the Committee on Education and the Workforce, contain many of the tax provisions included in H.R. 2488, and Title VI contains amendments to the Employee Retirement Income Security Act (ERISA).

As you know, I intended to have Rules Committee make in order the provisions in H.R. 1102, regarding ERISA; however, in order to expedite consideration of H.R. 2488 and with the understanding as outlined in your letter, I did not make such a request. I appreciate your work with me to include those pension provisions within the jurisdiction of the Committee on Education and the Workforce in the final conference agreement on H.R. 2488. I appreciate your support in my request to the Speaker for the appointment of conferees from my Committee with respect to matters within the jurisdiction of my Committee when a conference with the Senate is convened on this legislation.

Thank you for agreeing to include this exchange of letters in the Congressional Record during the House debate on H.R. 2488. Again, I thank you for working with me in developing this legislation and I look forward to working with you on these issues in the future.

Sincerely,

BILL GOODLING,  
Chairman.

EXPLANATION OF ARCHER AMENDMENT TO H.R.  
2488

Reductions in Across-the-Board tax Rate Reductions Contingent on Annual Change in

Government's Interest Expenses on the Total U.S. Debt:

—The 1 percentage point tax reduction scheduled to take effect in 2001 remains in place permanently.

—Each year thereafter, the additional tax reduction scheduled for a specific year is contingent on a reduction in the government's total interest expenses for the preceding year. Total interest expenses include interest payments on all debt subject to the statutory limit. This means both debt held by the public and trust fund debt.

—Specifically, in order for a tax reduction to take effect on January 1 of a specific year, the government's interest expenses must not increase in the preceding year. The annual change in the interest expense is measured on July 31 of the preceding year.

—If the interest expense increases, then the next scheduled phase of tax reduction which would otherwise go into effect does not take effect until the interest expense requirement is met in a succeeding year. Preceding rate reductions remain in place.

—The provision terminates when the rate reduction reaches 10%.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. FROST).

Mr. FROST. Mr. Speaker, Republican leaders spent yesterday twisting the arms of their moderate and fiscally responsible Members to get them to vote for a tax bill that they have derided all week for its fiscal irresponsibility.

The papers today report that the House leadership may well have forced them to risk Social Security, Medicare, and our economy on fiscally irresponsible, budget-busting tax breaks for the wealthiest that will cost us more than \$3 trillion over the next 20 years.

To do so, Republican leaders seemed to have taken the principle of budgetary smoke and mirrors to a height unseen since David Stockman invented the "magic asterisk" nearly 20 years ago. And in so doing, Republican leaders are not just risking Social Security, Medicare, and our economy, they are mounting an assault on the common sense of the American people.

Mr. Speaker, in the dead of night yesterday and this morning, Republicans may have succeeded in fooling themselves, but the American people are smarter than that.

Americans know perfectly well that if this risky Republican package of more than \$3 trillion in tax breaks for the wealthiest becomes law, Republicans will be making it fiscally impossible to save Social Security and Medicare. Republicans will be making it fiscally impossible to pay down the debt and keep interest rates low and our economy growing and creating jobs. Republicans will be making it fiscally impossible to help America's senior citizens afford the high cost of prescription drugs.

As one of our moderate Republican colleagues said of this tax bill a few days ago, "The numbers just don't add up, and the projections don't have credibility."

Well, we all know and the American people know that they are no more credible today.

Why would Republican leaders force through a package that takes such risks with our future? What does it say about the priorities of the Republican party?

Quite clearly, Mr. Speaker, it says the Republican leaders are willing to risk Social Security, Medicare, and our Nation's economy in order to provide red meat for their right wing extremists.

Vote down this bill.

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from Texas (Mr. ARCHER) has 11½ minutes remaining. The gentleman from New York (Mr. RANGEL) has 12 minutes remaining.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. HORN).

(Mr. HORN asked and was given permission to revise and extend his remarks.)

Mr. HORN. Mr. Speaker, I want to praise the gentleman from Texas (Mr. ARCHER) for what he has done in this bill.

Americans deserve to keep more of their hard-earned money for which they work. I recall the woman who heard the President claim "more jobs" and she said, "I can believe that, I have three of them."

Well, we are trying to straighten that out. We have dealt with the marriage tax, and 42 million Americans— are affected by that—including 6 million senior citizens.

I am concerned not only about the families and the marriage penalty tax. I am concerned about our grandchildren and, in my case, little Yoni. I want him to grow up where there is not very much national debt, and that is exactly what the gentleman from Texas (Chairman ARCHER) has provided.

There is a \$3.6 trillion national debt held by the public. Under this bill, the Financial Freedom Act of 1999, we are getting that down to \$1.6 trillion. If my colleagues do not think that is progress, then they have a strange idea of progress. We are doing something for every single American that is affected and needs a job and works hard and does not find much to pay the bills.

Vote for this legislation.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from South Carolina (Mr. SPRATT).

(Mr. SPRATT asked and was given permission to revise and extend his remarks.)

Mr. SPRATT. Mr. Speaker, I thank the gentleman for yielding me the time.

Mr. Speaker, the ink is barely dry on the projections of the surplus, and already we have a bill on the floor committing it all to tax cuts.

I think a big share of the surplus should go to tax cuts. But if this bill becomes law, it will shut out everything else. It will leave nothing to make Social Security and Medicare solvent, use none of the surplus to pay

down our mountainous debt, reserve nothing for plus-ups in education or boost in medical research. Even defense gets shorted.

Most of those backing this tax bill say that they are for an increase in defense spending, but they should read the resolution. The budget resolution underlying this bill makes room for our tax cuts of \$778 billion. It freezes defense from 2004 through 2009.

So before we rush to judgment, bet the farm on these projections, we ought to ask just how solid are these surpluses.

In less than a year, OMB and CBO have upped their 15-year estimates of the surplus by \$2 trillion. Just yesterday, CBO issued a report warning, and these are their words, "decision-makers to view these projections with considerable caution."

What they have done is what they have always done. They have assumed that current law will be carried out, that we will stick to the caps for the next 3 years, tight caps that were set several years ago in the PBA of 1997, even though my colleagues know and I know that we really circumvented them last year and we are not going to stay under them this year.

If we make the simple assumption that we will simply track inflation with discretionary spending for the next 5 years, we take \$590 billion out of this \$996 billion surplus.

If we then assume that emergency spending has to be factored into the estimates, and CBO and OMB do not do that because it is unpredictable, we knock another \$90 billion off the surplus. And if we then adjust that for debt service, debt service they will have to pay because their debt deal is not paid down, the surplus is somewhere between \$150 billion and \$300 billion, not \$996 billion.

We have another choice, a substitute that would cut taxes by \$250 billion. It is the right choice, a fiscally responsible choice. I urge its adoption in lieu of this bill.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. EHLERS).

Mr. EHLERS. Mr. Speaker, I thank the chairman for yielding me the time.

In the latter half of this century, the profligate spending habits of the Congress and the Federal Government drove the total Federal debt from less than \$250 billion to an astounding \$5.5 trillion.

But now, because recent Congresses have been able to impose some fiscal discipline on the Federal budget during this period of strong economic growth, we enjoy the good fortune of operating under a surplus.

Simply stated, having a surplus means that we are extracting from the taxpayers more money than is required to fund the operation of the Federal Government. That means we must refund part of this surplus back to the taxpayers through a tax cut.

But prudence also dictates that we use part of this surplus to pay down the

debt that was irresponsibly run up by previous Congresses.

I am grateful that the chairman has agreed to insert my debt reduction amendment into this bill. With my amendment in place, we will accomplish both of our goals, tax refunds and debt reduction.

The language of my amendment sets this Congress on a course to reduce the amount of publicly held debt from \$3.6 trillion in fiscal year 1999 to \$1.6 trillion in fiscal year 2009, a reduction of over 55 percent in 10 years.

As a result, the annual interest costs of this publicly held debt will drop from \$230 billion this year to about \$100 billion in 2009. That is a huge savings.

Putting it in simpler terms, reducing the debt and interest this much will put \$700 dollars more per year back in the pockets of each American taxpayer.

While it took over half a century to run up this debt, we are committed to cutting it by more than half in the next decade.

Surely, my colleagues on the other side of the aisle, some of them whom were here when their party presided over the accumulation of this debt, cannot protest with too much credibility that this rate of payoff is insufficient.

I urge the Congress to vote for debt reduction and smaller interest payments. Vote for this bill.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California (Mr. BECERRA) a member of the Committee on Ways and Means.

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding me the time.

Mr. Speaker, first things first. First things first. Social Security, Medicare, the first chance in a long time to consider prescription drug coverage in Medicare, reducing the debt so our children in the future will not be paying \$250 billion yearly just on interest on the size of the debt. Talk to any family in America. They will explain that. They know it. They have a mortgage. They know how much they pay in interest every year to own that home.

Why are we telling our children we are going to let them continue to pay for more than \$250 billion per year not to retire the debt, the principal, but just to pay the interest on what we owe as a Federal Government?

First things first. And then we can focus on providing middle-class America, working-class Americans, with a tax cut. And they deserve it, and they will get it. But first things first.

What we are talking about today is nothing but numbers, guesses. I could flip a coin right now and ask my colleagues if it is heads or tails and they would have just as much luck knowing what it would be as what we would know about the future about the Federal budget. It is all projections.

Six years ago, when I came into Congress, the outgoing President George

Bush and his administration left us with projections saying that we would have \$300 billion deficits for as far as the eye could see into the future.

Now we are projecting a trillion-dollar surplus over the next 10 years. Let me bring it down even closer. A year ago, we were told we would have an \$80 billion deficit. Five months ago we were told it would be a \$7 billion deficit. Today we are being told it is going to be a \$14 billion surplus.

How can numbers change so rapidly? It is because they are all projections. It is flipping a coin. In fact, it is more like going to Vegas. I could go to a crap table and probably do better with the odds there than with knowing what will happen in 10 years with the Federal Government.

We are playing with people's money, and we should be prepared to give it back. But people will also want to be able to retire knowing that Social Security will be there for them, not just us but our kids. People want to know that for the first time we have a chance to tell the elderly it will not be a choice between food and medicine because we can get them predescription drug coverage that will do so. And we want to be able to tell our kids, I have three small children, I am going to be able to retire some of this Federal debt so they do not have to pay that interest and they can use it to go to college.

Let us be serious. Do not pass this bill. We can do a tax cut but not like this.

Mr. ARCHER. Mr. Speaker, I yield 1½ minutes to the gentleman from Florida (Mr. FOLEY) another member of the Committee on Ways and Means.

Mr. FOLEY. Mr. Speaker, I rise in strong support of this bill.

I heard a lot of people taking credit today for the miracles of a balanced budget. We will go ahead and give them credit for raising taxes in 1993. They said that is what led to a balanced budget. We will take credit for cutting spending, which we believe led to a balanced budget.

But, my colleagues, we are here to talk about the future of the United States of America. For 40 years, this place was run on a bankrupt notion of spend and spend and spend. If I have to hear one more time on the House floor about the Ronald Reagan bill, I have just got to tell my colleagues, the Congress was controlled by the Democratic party in those years. No bill sponsored by the President can pass without a majority party lifting the bill to the floor.

So, if memory serves me right, that bill was passed by a democratically controlled Congress. So let us, at least, talk about fairness, about the rules of engagement, and about what this means to the average family.

I urge my colleagues to go home over the weekend and talk about the marriage penalty elimination in this bill. I urge them to talk about the estate tax relief for family farmers in many districts around America. I urge them to

talk about the tax credit for health care and deductibility, prescription coverage that was offered by the gentleman from California (Mr. THOMAS). I urge them to look at some of the notions of this bill and deny that they have practical application for every working family in America.

Now, there are disagreements on debt. There are disagreements on the long-term application. There are disagreements on income. But, my colleagues, Congress meets every day, every year. We can solve those in the future, but let us not kill a good bill on the American public's table today.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Missouri (Ms. MCCARTHY).

(Ms. MCCARTHY of Missouri asked and was given permission to revise and extend her remarks.)

Ms. MCCARTHY of Missouri. Mr. Speaker, I thank the gentleman from New York for yielding me the time and for his leadership.

Mr. Speaker, I rise in opposition to H.R. 2488, the Financial Freedom Act of 1999.

In my 12 years of working on tax policy as chairman of the House Ways and Means Committee in Missouri, I thought I had seen just about every kind of shenanigan tried. This fiscally irresponsible measure tops them all.

□ 1200

How do you keep a straight face and look the American people in the eye when you say you are going to use an anticipated \$1 trillion surplus to reform Social Security and Medicare, then, without blinking, tell the taxpayers of this great Nation that you are going to give them nearly a trillion dollars in tax cuts, plus reduce the deficit, and you will accomplish all of these wondrous feats without cutting programs or jeopardizing our economy. I do not think the public will be fooled by a measure which defies logic.

I urge my colleagues to vote for the Democratic substitute, to support the motion to recommit, and to cast a vote to reduce the debt, save Social Security and Medicare and our economy.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume, simply to respond.

Many, many times the speakers on the Democrat side of the aisle have used the term "a \$1 trillion tax cut." They know that is not true. They think if they say it long enough and hard enough, people will believe it. They know it is not true. The tax cut is \$792 billion. It is not \$1 trillion, but let them keep saying it, because it exposes the misinformation that is being presented to this Congress.

Mr. Speaker, I yield 1½ minutes to the gentleman from Colorado (Mr. MCINNIS) another respected member of the Committee on Ways and Means.

Mr. MCINNIS. Mr. Speaker, why do you not call this game what you really mean it, finders keepers? That is what you think it is all about. Look at the

credibility of the Democrats back here in Washington, D.C., not the working man and the working women that happen to be Democrats out in the country. You got your own special enclave right here in Washington, D.C. That is, you think you found that money.

Well, Democrats, let me tell you something: You did not find it. It is those working men and those working women, outside the Beltway, who have provided this surplus. By gosh, they are entitled to have some of it back.

Now, you would like the American people to believe you are credible when it comes to Federal waste and Federal spending. How many of you Democrats voted for a balanced budget? How many of you Democrats ever stood up here and cut some spending out of the wasteful programs? Yeah, not many raised their hand. Two out of the whole group raised their hands over there. That is the true story. They think it is finders keepers.

We have a budget here that will save Social Security, save Medicare, reduce the Federal debt, increase military spending and increase education and guess what? That is five. One dollar out of six, one dollar out of six goes back to that working man and that working woman.

It is time you Democrats in Washington, D.C. cared about the Democrats outside the Beltway and gave up your enclave of finders keepers.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. TURNER).

Mr. TURNER. Mr. Speaker, the Republicans have really shown their hand in their late-night amendment to their blockbuster tax bill. They put a provision in that says that part of the tax cut will not take effect unless the debt goes down. The truth of the matter is the Republicans are not interested in reducing the national debt. Their amendment simply says if the national debt starts going up, we will not have that big blockbuster tax bill. We have a \$5.6 trillion national debt. It is time to start paying it down.

The Democratic substitute, the Blue Dog motion to recommit, will allow for paying down that national debt. The Republicans want to continue along the path of big budget deficits. We need to pay off that national debt. The party of fiscal responsibility in this debate is the Democratic Party. We want to pay off that national debt, and it is time that we realized that only by being fiscally conservative will we ever have a chance to do it.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Louisiana (Mr. VITTER).

Mr. VITTER. I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong support of this historic tax cut bill. These words are my first on the floor since being sworn in on June 8, and that is appropriate because this legislation in so many ways is what I came to Congress to do.

I do not just mean cutting taxes. I mean celebrating marriage and family by attacking the marriage penalty; honoring small family business by phasing out the death tax which is the death of so many small family businesses; encouraging economic growth through cuts in the capital gains tax. I mean being fiscally responsible by locking up Social Security tax revenues 100 percent and by demanding a reduction in the national debt before we trigger some of the tax cuts. But most of all, I mean increasing freedom by sending money and power back to the individual and the family.

The President wants targeted tax cuts. That means even in the case of a tax cut, Washington decides how and where and when and why money is spent. What is most significant about this bill is that individuals and family decide and freedom is increased.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

There have been some concerns with people getting emotional because our side said that it is nearly a \$1 trillion tax cut. I do not want my colleagues to get upset. It is not a \$1 trillion tax cut. It is a Christmas tree. It is decorated with every cut that you can think of for Republican supporters. Ninety percent of the tax cut goes to the wealthiest Americans.

But it is not as irresponsible as some people are saying. Why? Because you know the bill is not going anywhere. What you want is a veto from President Clinton. He becomes the scrooge, he becomes the person that has snatched away this beautiful Christmas present that you have outlined.

The only thing the President and the Democrats want are to protect Social Security, to protect Medicare, to make certain that prescription drugs are protected and to bring down the Federal debt. And when you do those things, which we try to do in the substitute, which we try to do in the motion to recommit, that is the biggest tax cut of all. Bringing down interest on car purchases, on electric appliances, on the mortgage. That is what America wants.

But when you tell me and get excited about it, that if you do not give the nearly \$1 trillion to the taxpayers, then the politicians in Washington, I assume you mean the Congress, are going to spend it. Well, who is in charge of the spending committees? Who is in charge of the Congress? I know you have a question answering that yourself, but most people believe it is the Republican Party. So if you are saying, "For God's sake, let's get rid of the Clinton surplus before the Republican Congress just spends it," then say it, but I know you are not saying that. The reason you are not saying it is because your bill is, what we call in Harlem, a trip to nowhere. And what you intend to do is to have little pamphlets with all of the tax cuts on it to pass out at the polls and say what a mean person the President was because he vetoed it.

If you want a tax cut, the only way to have one is to realize that there are Democrats in this House. I know it is rough keeping up with how many of us because we keep a-coming. But still what you should do is to recognize that and get together with the Democrats on the committee and get together with the President of the United States. Do not do what the President told you to do, but for God's sake do not try to do what the right wing of your party wants you to do. Learn how to do something which is very difficult for some of the Members on the other side even to say: Learn how to compromise. Learn how to be bipartisan. Learn how to work together. That is what the American people want. They do not want a fight. They do not want a food fight. And they do not want you to get this bill decorated and send it over to the White House so that we have got to have another fight when there is a veto.

Let us start now to see what we can do to work together. And, yes, it is nearly \$1 trillion. And if you are going to challenge that, I challenge you, bring a bill to the floor. God knows what else you have in the Committee on Rules. Bring something out so people can see really what you are doing. It changes from day to day. The last rumor was it was close to \$1 trillion. I know you lost \$72 billion on the way to the House floor, but we do not know where you are today.

Mr. Speaker, I reserve the balance of my time.

Mr. ARCHER. Mr. Speaker, I yield 30 seconds to the gentleman from New York (Mr. FOSSELLA).

(Mr. FOSSELLA asked and was given permission to revise and extend his remarks.)

Mr. FOSSELLA. Mr. Speaker, I thank the gentleman for yielding me this time. I compliment the gentleman from Texas, because I believe this will be a lasting legacy of his, to argue for more freedom and more liberty for the American people.

You are going to hear a lot of debate about how Washington wants to spend your money. But the reality is we are talking about a tax refund to the American people who work hard every single day.

The debate is simple. Do we want more freedom and more liberty and more economic growth? Do we want to give a tax cut to every American who pays taxes? Or do you want to keep the money here in Washington to squander more and more of your money?

The debate is simple. I urge a strong "yes" vote on this bill.

Mr. ARCHER. Mr. Speaker, I yield 30 seconds to the gentleman from Wisconsin (Mr. RYAN).

(Mr. RYAN of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. RYAN of Wisconsin. Mr. Speaker, I am a newer Member of Congress here and I have been just coming into Washington for about 7 months, but I have

heard it all now. We see here before us so many different Members of Congress coming up with so many different excuses, reasons and ways to keep the American people further separated from their own money. This is what it is coming down to, two philosophies.

This is a beautiful celebration of democracy that we see here today. On one side we have Americans overpaying their taxes, so much so that we believe you should get some of your money back. Take a look at your paycheck and look how much is coming out every year. We think you should have your money back. The other Members of Congress on the other side of the aisle want to keep all of your money in Washington.

Mr. RANGEL. Mr. Speaker, I yield the balance of my time to the majority leader of the Democratic Party, the gentleman from Missouri (Mr. GEPHARDT), who is trying desperately to bring about a bipartisan solution to this problem.

(Mr. GEPHARDT asked and was given permission to revise and extend his remarks.)

Mr. GEPHARDT. Mr. Speaker and Members of the House, I urge Members to vote for the Democratic substitute, or for the Democratic motion to recommit which is very similar, and against this tax bill that is on the floor.

I make basically three arguments for doing that.

First, I think the Republican bill is risky. I think it is risky with regard to the most important accomplishment that we have had over these last 7 or 8 years, and that is the wonderful economy that we have painstakingly built from where we were in the early part of the 1990s.

Let me just read you some facts. Let us remember where we were in 1992. The deficit was \$290 billion. We now have the largest surplus in our lifetime. Since 1992, 17.7 million new jobs were created under the economic program of this administration that we have been operating under. In 1992, the unemployment of the country was 7½ percent. Now it is 4½ percent, with the lowest inflation that we have had since 1981.

Now, we are risking if we pass this huge tax cut, and we are for tax cuts, we think the American people deserve tax cuts out of this surplus. The question is, how much? And what we are saying is, this tax cut the Republicans have brought to us today is way too large and risky and irresponsible.

But do not take my word for it. Look at what over 50 economists, six Nobel laureates said yesterday, part of their statement:

"In contrast, a massive tax cut that encourages consumption would not be good economic policy." They said, "Given the uncertainty of longtime budget projections, committing to a large tax cut would create significant risk to our economy and our budget."

Why would we want to do that? Why in God's name would we risk this tremendous achievement and risk keeping it going?

Secondly, this large of a tax cut keeps us from saving two of our most important programs and achievements, Medicare and Social Security. The Democratic tax cut is conditioned—is conditioned—on a solvency statement by the trustees of Social Security and Medicare. The Republican tax cut is not.

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The Republican tax cut does not allow us to even take care of Medicare and does not allow the money for solvency in Social Security.

Why would we want to risk that?

Thirdly, what do the tax cuts do?

Our tax cut is targeted. We are worried about long-term care; we are worried about many of the problems in the economy with research and development. It is targeted to the things we really need.

Their tax cut is all over the lot, and most of it goes to the top 10 percent of earners in the country. It is not focused on the middle class. And worst of all, last night at midnight they made a change in their tax cut; and they now condition it, at least the part that goes to the middle class, on what happens with the deficit.

What about capital gains? What about the estate tax? What about the corporate alternative minimum tax? That is not conditioned. Oh, we would not want to hurt the people at the top. The only conditioning, the only trigger, is on the people in the middle and the people at the bottom that might get some benefit from the tax cut.

This is a disaster in terms of the middle class of this country. This is risky. It does not take care of Medicare and Social Security, and the only people our colleagues have really ensured will get a huge tax cut are the wealthiest of the wealthy. This is not the right thing for our country.

Mr. Speaker, I urge Members to vote for the Democratic substitute, vote for the motion to recommit, vote against this risky, irresponsible, unfair tax cut. Let us not repeat the mistakes of the past.

Mr. ARCHER. Mr. Speaker, to close on this segment of the debate I yield the balance of our time to the gentleman from Ohio (Mr. KASICH), the chairman of the Committee on the Budget.

Mr. KASICH. Mr. Speaker, I want to thank my great friend, the gentleman from Texas (Mr. ARCHER), for his outstanding work, and I think that today we should not miss our purpose. We should not miss the purpose of the Republican Party and the conservative philosophy that calls for a limited government, that calls for a free market, free enterprise system that can only survive and prosper in a period of limited government, and I think we ought to recognize that it is our mission in

this city to ship power, money and influence from this city back to the people today, Mr. Speaker, who sit in the gallery and who watch on television and who are pulling the wagon all across America.

As my colleagues know, this is part of an overall plan. As all my colleagues know, we are trying to bring about more choice in education with scholarship programs for the disadvantaged, but our ultimate goal is to provide power to States to provide for school choice so that mothers and fathers are in charge and that power rests in families in America.

In Medicare we want to provide a more personalized health care system for our seniors that offers more choice and more power and more free market that breaks down a government bureaucracy that runs health care from the top down and is disrupting the ability of people to get quality care at an affordable price.

We want to create individual retirement accounts, the gentleman from Texas (Mr. ARCHER), myself, so many of us, where we want people to have the power to be able to plan for their retirement, not to pass that power on to a bureaucrat in a faraway city who does not understand our needs as we get older. We want to have the power back; we want the confidence or we have the confidence ourselves to know to plan for the future.

And the tax cut. Do not miss the tax cut and what the message is. Oh, yes, it is about economics, about keeping this recovery going. We know how vital it is in addressing so many of our long-term entitlement needs. It provides more jobs. It gives us the incentives to grow, to keep our economy strong, the strongest in the world. But it is also about personal power because what we all know intuitively is the more money we have in our pockets the more power we have, the more we can do for our families, the more we can do for our communities, the more we can do to help those around us; and if we have more of this and government has less, then we can begin to run America from the bottom up.

As my colleagues know, if Americans can have more choice in education and security in health care where they have more choice and more confidence, individual retirement accounts, and Social Security and more money in their pocket, then people have more power; and what we battle with America today is cynicism, a sense that we are up against the big institutions, that we are isolated from one another and that no matter what we do or what we say or who we vote for makes some difference in the outcome, and we worry about our children.

So it is the purpose of our party and the conservative movement to restore power to people and with that power and freedom comes responsibility, and with that responsibility we can hook our hearts together again, we can unite America, we can renew America, we

can restore the vigor that America represents. This tax cut is about individual power.

If my colleagues want to run America from the top down, vote no. I respect people who feel that way. I think they are dead wrong. If my colleagues want to run America from our families and communities to the top and restore the spirit and the beauty and the vigor of this country, support this bill and march with the Republicans to build a stronger America in the next century.

Mr. DAVIS of Florida. Mr. Speaker, I rise in strong opposition to H.R. 2488, the Financial Freedom Act of 1999 and in support of the Democratic alternative which will provide targeted tax relief but will ensure at the same time that we pay down our national debt and address the solvency of Social Security and Medicare first.

The Republican tax package ignores the fiscal discipline which has brought the federal budget from record deficits into balance and projected surpluses in the coming years. By abandoning PAYGO rules and relying completely on projected surpluses as offsets, this package threatens to undo all of the gains we have made over the past six years. If in fact these surplus projections are not accurate, we will be faced with either massive cuts to keep the budget balanced or deficits reminiscent of the 1980's.

Rather than passing this tax package, I believe we should be focusing first on the solvency of Social Security and Medicare. During this time of economic growth and positive budget forecasts, Congress should take strong steps to shore up these two vital programs. We have a narrow window of opportunity to prepare these programs for the demographic changes coming with the retirement of the baby boomers. If we squander this opportunity, future generations will look back on this Congress as one more concerned with short-term political pandering than long-term responsibilities.

Furthermore, H.R. 2488 would consume virtually all of the projected on-budget surpluses and devote virtually none to debt retirement. Currently, the publicly held debt is roughly \$3.7 trillion and our interest payments alone on that debt consume 11% of the overall federal budget. This debt and corresponding debt service crowd out private investment and put pressure on all of our national budget priorities. Since coming to Congress, I have strongly advocated devoting the lion's share of these surpluses to debt retirement. As Former Secretary of the Treasury Robert Rubin has pointed out, debt reduction creates a cyclical benefit of lower interest rates, greater economic growth, higher budget surpluses, and further debt reduction.

In my view, retiring a significant portion of the federal debt is the most fiscally responsible course of action and will lead to tangible benefits for all Americans. Consider, for example, what would happen if, as Federal Reserve Chairman Alan Greenspan has testified is likely, long-term interest rates were to drop another two points as a result of debt reduction. For citizens in my district of Hillsborough County, Florida with a \$115,000 home, monthly mortgage payments would be reduced by \$155. That is real savings and real money in the pockets of Americans.

The Democratic alternative offered today will dedicate the vast majority of the surplus to

debt retirement and still leave room for targeted tax cuts. This modest package of tax cuts includes marriage penalty relief, long-term care tax credits, accelerated deductibility of health insurance for the self-employed, and the restoration of an itemized deduction for state and local retail sales taxes, important for states such as Florida which have no state income tax. This alternative represents a balanced approach, making certain that we fix Social Security and Medicare first, dedicating most of the surplus to debt reduction thereby ensuring continued fiscal discipline and economic growth, and providing targeted tax relief for millions of Americans.

Mr. Chairman, the decisions we make tonight will affect the next decade of public policy discussions. The choices are clear and stand in stark contrast to one another. We can, as the Republican leadership would like to do, enact massive tax cuts which explode in cost just as the baby boomers retire, dissipate all of the projected on-budget surplus, and run the risk that if the projections are wrong, as has been the case repeatedly in the past, Congress will be forced to slash federal spending or run budget deficits. Or, we can adopt a prudent approach which emphasizes our responsibility to future generations by addressing the solvency of Social Security and Medicare, paying down the publicly held debt and controlling the size of the tax cut until these projected surpluses become a reality. I urge all of my colleagues to vote against H.R. 2488 and adopt the Democratic alternative.

Mr. CASTLE. Mr. Speaker, I strongly support tax relief for all Americans. I support and believe we will enact broad-based tax relief legislation this year. I have been actively involved in negotiations on the current tax relief legislation before the House, H.R. 2488, the Financial Freedom Act. During these negotiations, I have stressed three concerns. First, is the size of the proposed tax cut. Is it too large in relation to the total projected surplus? Second, is the need to reduce the federal debt. Does this legislation allow us to pay down the federal debt? Third, is fairness. Does the bill provide tax relief fairly to all taxpayers?

First, the size of the tax bill is a serious issue. The bill would commit \$792 billion of the projected \$996 ten-year surplus to tax reduction. I am concerned that it is unwise to commit 80% of the projected ten-year budget surplus to one purpose. It leaves very little margin for error. The surplus will be \$996 billion if the economy remains strong and if there are no other changes in tax or spending policy. If there are changes, interest payments on the debt will be larger and the surplus will be smaller. If we commit \$972 billion to tax reductions, virtually all of the rest of the \$996 surplus will be needed to pay higher interest costs on the debt. That leaves no room for unplanned, but very likely expenses like natural disasters and other emergencies. Over the past ten years, emergencies have averaged at least \$8 billion per year. That pattern indicates likely future emergencies will reduce the projected surplus by at least \$80 billion. This year, we have already spent \$15 billion in emergency funds for Kosovo and domestic emergencies require additional emergency aid later this year. We need to factor these likely needs into our calculations. While Medicare is currently fundamentally sound, there are growing problems in the area of home health care, HMO's and rural and teaching hospitals. Cor-

recting those problems may require additional funds. Finally, important programs like education, veterans and the environment must be adequately funded. We cannot assume that these programs will be unrealistically reduced when estimating the surplus.

The cost of the current House tax bill also grows rapidly in the second ten years. Some estimates are that it could be almost \$3 trillion after 2009. That will occur just as the baby boom generation begins to retire and the Social Security surplus begins to decline. It is clearly unwise to risk the on-budget surplus at the same time Social Security and Medicare will be experiencing increased pressure to meet the needs of millions of new retirees.

My second concern is the need for debt reduction. The federal debt is \$5.6 trillion and requires 15 percent of the annual federal budget to service. If we do not take the opportunity to pay down this debt during strong economic times, then when will we? Tax relief is important, but it should be balanced with the need to begin to pay down at least some of the \$5.6 trillion federal debt. Committing 80 percent of the projected surplus to tax reductions, simply does not allow enough of the surplus for debt reduction. I was pleased to be involved in the negotiations that produced the amendment to condition the phase in of the 10 percent across the board tax reduction on reducing interest payments on the debt. If we are not reducing the debt, up to \$375 billion of the tax reduction would be postponed. This is a positive addition to the bill, but it does not affect billions in tax relief to businesses which would go forward regardless of whether we are meeting our debt payment goals. I believe that more of the projected surplus should be reserved to pay down the debt. My constituents tell me that should be our top priority because they know everyone benefits from lower interest rates on their own debt, including credit card and mortgage rates. In fact, a one percent drop in interest rates saves Americans \$200-\$250 billion in mortgage costs. That is real middle class financial relief.

My final concern is whether this is the most fair tax bill we could produce. The bill does contain broad-based tax relief and that is to be applauded, but I believe the bill drafted in the Senate is superior because it provides more tax relief for lower and middle income families, encourages saving and provides more relief from the marriage penalty. I believe the reduction in the 15 percent bracket benefits taxpayers of all incomes, particularly those of more moderate incomes, more fairly than the 10 percent across the board cut in the House bill.

We can and should provide tax relief to all taxpayers, but in trying to balance tax relief with debt reduction, potential emergencies, other government programs, and the need to protect against a sudden drop in the economy, it is not necessary to include all the provisions in the House bill at this time. For example, Congress with my support, recently enacted significant capital gains and estate tax relief in 1997. I think those provisions in the current bill could be scaled back as we try to provide more of the surplus for debt reduction and other needs.

I proposed a broad-based tax relief alternative that would provide \$514 billion in tax relief over ten years and reserve \$482 billion of the projected surplus for debt reduction or other needs. My alternative included broad-

based relief more targeted to middle and low income earners by reducing the 15 percent tax bracket to 14 percent. In addition, my plan reduced the marriage penalty, provided tax credits for child and dependent care. It provided more responsible estate tax relief, health care, pension, and small business tax relief. While the House was not permitted to vote on my alternative, I think this plan is more reflective of what can actually be enacted into law this year.

I believe the tax alternatives proposed by House Democrats and the Administration are not adequate. We can provide more than \$250 billion in tax relief to working Americans without jeopardizing other priorities. Clearly the President and Congressional Democrats will have to improve their proposals to achieve a true compromise.

While I could not support the legislation before the House today, I look forward to working with all Members of Congress and the Administration to ultimately produce legislation to give every American significant tax relief.

Mr. CROWLEY. Mr. Speaker, I rise to oppose the Trillion Dollar Tax Break and Deficit Act and to strongly support the Rangel substitute.

A massive tax cut—nearly \$900 billion—is totally irresponsible. It stands in the way of strengthening Medicare and Social Security, and threatens the progress we have made in eliminating the deficit and reducing the national debt. The Democratic substitute will leave plenty of room to shore-up social security and Medicare without bursting the budget. Additionally, tax cuts will be targeted more towards middle class families—the people who work hard to support themselves and their children—not the upper one percent of this country.

How does this bill help our crumbling schools? How does this help replace the 10 schools in Community School District 24 which are heated by coal burning boilers? It is worth mentioning that Community School District 24 is the most overcrowded school district in the City of New York, operating at 119% capacity. This is projected to increase to 168% over the next ten years. How are education savings accounts going to help these public schools? As for arbitrage, it will only provide relief for those construction projects schools have already begun. It does nothing to address the needs to build new schools and modernize existing schools.

The schools in my district need substantive school construction assistance NOW. The Rangel plan will provide \$25 billion in interest free school construction bonds to state and local government for public school construction and modernization projects. This will help alleviate the high tax burdens faced by middle class communities trying to finance construction on their schools. Additionally, it will provide a tax incentive to those who invest in the bonds, by giving them tax credits on the interest. And, most importantly, these bonds will be available to our school immediately!

In closing, I ask you to envision one classroom in my district: One classroom, with fifty kindergarten students and two teachers and no plans to change in the future. I urge you to oppose the bill and vote for the Rangel substitute.

Mr. STARK. Mr. Speaker, I rise in opposition to H.R. 2488, the Financial Freedom Act which has been brought to us for consideration by the Republican leadership. After the

hard choices made in the 1993 tax bill to restore our nation's economic health after the debacle of "Reagonomics", we are in better shape than in the last 15 years. Now Republicans want to pass a \$3 trillion tax cut premised on budget cuts that will never materialize.

This whole exercise is a hoax. The Republicans have created the illusion of paying back their wealthy supporters and corporate special interests in a bill that will never become law.

Contrary to its title, this bill with its reckless spending of close to a trillion in the next decade and more than \$2.8 trillion by the following decade, will rob our nation and future generations of any chance of financial freedom. By spending more than we have in real surpluses, we will restrict our ability to bolster our Social Security trust funds to accommodate changes in demographics and also to protect and improve Medicare.

There is no financial freedom for the majority of seniors without Social Security. There is no financial freedom for seniors and their children saddled by prescription drug and long-term care expenses. Yet passing massive, unfunded tax cuts threatens the ability to bolster both Medicare and Social Security.

There is no financial freedom for most families under this bill that allocates close to half of the total tax benefits to the richest one percent whose incomes exceed \$301,000. The richest one percent would get an average tax cut of \$54,000 a year. The bottom 60% of taxpayers—those with incomes less than \$38,200—would get an average cut of \$174 a year. The bill buys the rich quite a bit more financial freedom than the rest of us.

This bill targets the benefits to the rich in the way they structure the 10% tax cut, and by the size of the capital gains cut and the virtual elimination of the estate taxes. Only the wealthiest 2% of estates even pay estate tax now because current law exemptions; there is no such thing as a "death tax" for most American taxpayers. This bill lets everybody out the door—Warren Buffet, Bill Gates, Malcolm Forbes—not just the small businessman and farmers in search of a relief to pass on a small business to their children.

The average benefit of the capital gains cut for the top 1% of taxpayers is \$8,319 while 80% of the taxpayers—those with incomes under \$62,800—would get a cut of \$17 or less from the capital gains reduction. Seventeen dollars a year doesn't buy much financial freedom for working family by any objective measure.

There are also over \$100 billion in corporate tax breaks including some for arms merchants, oil, gas and timber investors, and folks who can enjoy three martini lunches.

Even the guise of providing relief for long-term care expense is just a tool to expand the market for insurance industry. The tax credit in the Republican package can only be used to buy insurance, not to pay long-term care expenses themselves.

This bill just reinforces skepticism by voters that they won't get any tax relief because it will go to rich individuals and corporate free-loaders.

I urge a no vote on H.R. 2488:

The tax breaks are tilted toward the rich.

This tax cut is too big for this country to bear before the surplus even materializes.

A yes vote tonight is a reckless vote that gambles away funds needed to preserve Medicare and Social Security.

A yes vote guarantees an increase in public debt.

Mr. HOYER. Mr. Speaker, I rise now not only to oppose this fiscally irresponsible Republican tax plan, but to inject a little historical perspective into this debate.

One of the first votes I cast as a member of this House was on President Reagan's "Economic Recovery Tax Act of 1981." The heart of President Reagan's supply-side tax plan was a \$749 billion tax cut over five years. Among other things, President Reagan's plan slashed individual income taxes across-the-board and allowed faster write-offs for capital investments.

Those of us who were around here back in 1981 remember how President Reagan strode into office with this bold pledge: He said that a massive tax cut would fuel economic growth, thereby generating greater Federal revenues and resulting in a balanced Federal budget by 1984.

Well, that's not exactly what happened, is it?

The Laffer curve—named after supply-side economist Arthur Laffer, who had President Reagan's ear on tax policy—purported to show how tax cuts could lead to a balanced budget. But that turned out to be a cruel hoax on the American people.

In 1980, President Carter's last year in office, the Federal budget deficit was \$73.8 billion. Large, yes. But not insurmountable. Only five years later—after the massive tax cut of 1981—the Federal budget deficit had exploded to \$212.3 billion.

By 1990, the Federal deficit had ballooned to \$220 billion. And in 1992, President Bush's last year in office, the deficit had skyrocketed to \$290 billion.

Consider another important measure of national economic health—the national debt. In 1980, the public debt of the United States was \$909 billion. In the following 12 years of Republican administrations, the debt exploded to over 4 trillion dollars! And this happened even though Congress appropriated less money in these 12 years than Presidents Reagan and Bush voodoo economics, Mr. Speaker, voodoo economics. That's what former President Bush—not STENY HOYER—called President Reagan's supply-side tax cut plan on the campaign trail in 1980. And President Bush was not alone when he offered that piercing two-word analysis.

Former Senator Howard Baker called the supply-side tax cut scheme a "riverboat gamble." and President Reagan's own budget director, David Stockman, later confessed that he knew the administration could not cut taxes, provide a "safety net" for domestic programs and balance the budget because "it defied arithmetic, wasn't true."

Only our fiscal discipline, our fiscal responsibility since 1993 has allowed us to erase these record budget deficits. And last year, we realized our first surplus—\$70 billion—in 30 years.

The record deficits of the 1980s caused our economy to plunge into crisis. And we responded. We passed a budget agreement in 1993—which I might add did not get one Republican vote—that cut the deficit by \$496 billion over five years.

The 1993 budget agreement was designed to bring down an unemployment rate then running at 7.5 percent; bring down the 30-year interest rate then hovering at 8.2 percent; and

bring down that \$290 billion deficit. And it worked.

In 1997, in more bipartisan fashion, we passed a balanced budget agreement that called for continued fiscal prudence in both discretionary and mandatory programs.

And what do we have to show for our hard work—our fiscal discipline—over these last six years?

Well, we now project a budget surplus of \$100 billion in 1999.

The national debt is \$1.7 trillion lower than was projected in 1993.

Interest rates are around 6 percent.

The unemployment rate remains near 4.3 percent.

We have the fastest real-wage growth in 25 years.

Inflation—2.5 percent—is at its lowest rate in 32 years.

Business investment has grown at 12.8 percent per year, the fastest growth since the Kennedy administration.

And we have the highest rate of private home ownership—66 percent—in history.

What an incredible achievement. What an incredible record.

And, now, we're going to throw it all away? With this irresponsible tax plan that threatens to explode the deficit, explode the national debt, drive up interest rates, and drive our healthy economy right off an economic cliff?

That's not just "egregious recklessness," as the Washington Post called it yesterday. That's voodoo economics. That's a riverboat gamble that we should not ask the American people to take.

This Republican tax bill is so irresponsible that it even has many Republicans running for cover. It's no secret why.

First, this tax plan threatens long-term growth, by producing record deficits again, and driving up interest rates. This, in turn, would lead to lower economic growth.

While this tax plan purports to cut taxes by almost \$800 billion, economists predict that it actually could cost us \$3 trillion.

Second, this tax plan threatens our ability to reduce the national debt—which is critical to our continued economic vibrancy. Simply put, reducing the debt leads to lower interest rates and greater investment and economic growth.

And let's not lose sight of this fact—paying down the debt is tantamount to a tax cut because each percentage point decline in interest rates means \$200 to \$250 billion less in mortgage costs paid by Americans over the next 10 years.

Third, this irresponsible plan—which would eat the entire projected Federal budget surplus and then some—would eliminate our ability to strengthen Medicare and Social Security.

Currently, Medicare is projected to be insolvent by 2015. I submit that if we fail to take this rare opportunity to ensure the long-term solvency of Medicare and Social Security, we deserve the harsh judgment of history.

Finally, it should come as no surprise that in this Republican tax plan, the wealthiest 1 percent of taxpayers would receive one-third of the benefits.

Now, you tell me, how does that look to a young couple making, say, \$40,000 a year? You might as well just tell them: "Sorry, you are not one of the chosen few. Wealthy Americans are getting a tax cut. But you, you're just getting higher interest rates making it more expensive to buy a car, buy a house, or send your kids to college."

Fairness, of course, is not the watchword when it comes to this tax plan. While the wealthy get a break, this plan would force cuts of \$583 billion in domestic spending programs on crime and education over the next 10 years. In addition, it would slash defense spending by \$198 billion over the same period.

This from the party that claims President Clinton has "hollowed out" the military. That's not just disingenuous, it's not acceptable.

Mr. Speaker, we have created the best economic times in a lifetime in the last six years.

There are two paths we can take. One path calls on us to continue with the fiscal discipline that we imposed on the budgetary process in 1993 and that has produced the economic boom we are enjoying today.

The other is a risky and speculative path—voodoo economics, if you will—that we know all too well. It is littered with gigantic deficits, and an exploding debt that threatens to disrupt our strong economy.

I urge my colleagues to choose the right path and vote for fiscal discipline and a strong economy, and against this irresponsible tax plan. Our economic security—indeed the security of future generations of Americans—depends on our choice.

Let it not be said that we took the politically seductive course and shrank from our duty and responsibility to our country, future generations, and to our economy.

Ms. SANCHEZ. Mr. Speaker, here we go again.

Social Security is the primary retirement system for the majority of retired Americans. It provides benefits to 33 million Americans of all ages and keeps 12 million recipients out of poverty.

The G.O.P. Social Security approach is really an unreliable response that supports the Wealthy Special Interests. Why does the G.O.P. want to undercut a sound economy with a tax scheme designed to benefit the few?

We must protect Social Security. This means less debt, lower interest costs, rising living standards, more money made available for seniors' priorities, and more security for Social Security.

Republican tax cuts mean higher deficits, higher interest rates, and lower economic growth.

The Republican tax scheme would make it impossible to continue to pay down and eventually eliminate the national debt by 2015, as proposed by the President.

My colleagues across the aisle would have us believe that they have efforts to shore up social security and pay down on the national debt. This is not so!

Republicans want to engage tax cuts that bust the budget and threaten our long term economic growth. Their tax cut does not cut it!

I urge my Republican colleagues to devote half of the budget surplus to debt reduction and to support a common sense budget plan that reflects the values most Americans consider important.

Mr. KOLBE. Mr. Speaker, I strongly support the tax relief bill we have before us today. It is another down payment on our promise to bring tax relief to the American people. After we make sure we have repaid Social Security and Medicare, we must give the surplus back to those who are giving it to us. It's wrong, just plain wrong, to make the average family pay

\$5,307 more than the government needs over the next ten years.

In my view, denying tax cuts for our people who work hard to earn a living for themselves and their families is unthinkable when government has a surplus. One letter I received from a group of organizations opposed to tax cuts said that they want past spending cuts restored and even increased for inflation. Further, they want to insure that future surpluses are used to fund more federal spending programs. I couldn't disagree more. The surplus belongs to the people who pay the taxes, and we should give it back to them.

The tax relief provided in this bill is considerable.

It has an across-the-board tax cut of 10 percent that will help all taxpayers.

It reduces, even if it doesn't totally eliminate, the marriage penalty.

It helps parents save to educate their children.

It offers incentives to save for retirement and increases pension portability.

It finally ends the death tax.

It offers tax relief for medical expenses.

Mr. Speaker, I have worked for years with my colleagues to end the death tax. I am especially pleased to see this phase out included in this bill. Southern Arizona has many family ranches and small businesses that are forced into liquidation by estate taxes. That's not fair. Increasing the exemption from these taxes is right.

The Marriage Penalty is an onerous tax on families. More than 21 million Americans pay more in taxes simply because they are married. We should encourage marriage—not tax it. While this bill doesn't take care of the bracket problem, it does eliminate the penalty in the standard deduction. The standard deduction for a married couple becomes exactly double the deductible for an individual. This means savings of \$243 per couple each year.

We all know how the cost of educating our children continues to skyrocket. This bill raises the ceiling on Education Savings Accounts from \$500 to \$2000/year. It permits these accounts to be used to pay for elementary and secondary education in addition to higher education.

The bill ends the 60 month limitation on the student loan interest deduction. And there are changes to revenue bond rules to help school construction.

I have spent much of my time in Congress working on a reliable retirement income for senior citizens. This bill increases contribution limits to 401(k) and other retirement plans; it increases portability of pensions for our new workplace reality in which a person no longer works for the same company during his/her entire work life. In short, it makes it easier to save for retirement.

Medical expenses have become a huge item in our personal budgets. This bill offers relief in this area, too. It provides a 100% deduction for health insurance premiums for individuals who purchase health insurance. Long-term care insurance is extremely expensive. This bill helps by providing a 100% deduction for these premiums also. It expands the exemption for those who care for an elderly family member at home. And it expands Medical Savings Accounts.

For those who are concerned that we need protection against the loss of revenue should we face a future economic downturn, I believe

our trigger is an excellent protection. In any year when the total interest paid out on the public and private debt does not decrease from the previous year, then the incremental across-the-board tax cut doesn't kick in. This would protect us in a situation of rising interest rates or declining revenues and make sure we keep a balanced budget.

The revenue for these tax cuts is not coming from the surplus in the Social Security Account. We have locked that away. Instead, this surplus is "on budget" and will not affect our efforts to reform Social Security.

We need fundamental reform of the tax system. I think most in this body would agree with other taxpayers about this. The tax relief offered in this bill does simplify the tax code, but I recognize that it does not achieve the more complete reforms we all would like to see. The fact is we have not reached a national consensus as to how this reform should be accomplished, and I don't want to tempt fate by waiting for tax relief until we have this consensus. The temptation to spend more would be irresistible in this town.

Mr. Speaker, I urge my colleagues to support the Financial Freedom Act of 1999. Let's return the surplus to the American Taxpayers.

Mr. DINGELL. Mr. Speaker, as we debate this tax cut legislation there are a number of aspects of it requiring the attention of the public. The first causes the ghosts of Ponzi, Sam Insull and Phineas Barnum to hover over this chamber in smiling admiration.

Is this a tax cut or is it not? The answer is no one knows for sure. The bill is tied to receipts and deficits, so in some years there may be a tax cut, in some years there may not. Indeed, if the national debt does not go down, there will be no tax cut.

Now it is hard to speculate how this works, or whether there will be a tax cut, when, how, or how much, because all the negotiations were done by the Republicans alone in closed meetings, and the printed version has not been available to analyze or discuss in proper legislative fashion. According to the sketchy reports I have been able to receive, it will possibly work something like this: After an initial 1 percent across the board tax cut, all further cuts will be conditioned on whether the total national debt (including that related to Social Security and most trust funds) goes down. Now I cannot tell anyone exactly what that means, but I believe I can be excused, because the Republicans have not said, and apparently they cannot either.

So here we have a remarkable Republican tax cut, a here you see it, now you don't tax cut—maybe you get it, maybe you don't.

Now, if this massive punitive tax cut really goes into effect, lets look at some of its most deficient aspects:

The Republican tax bill would blow a three trillion dollar hole in the budget and threaten the vitality of Medicare and Social Security.

The Republican tax scheme does nothing to extend the life of the Social Security and Medicare Trust Funds. It eats the entire surplus, leaving absolutely nothing to ensure the long-term solvency of Medicare or Social Security. It soaks up all of the money. It leaves nothing to protect or reform Medicare or Social Security. It also ensures that there will be no money left over to fund a Medicare prescription drug benefit.

The Republican plan also spends all of the non-Social Security surpluses and leaves

nothing for debt reduction. Rather than paying down a large portion of the national debt, the Republicans would be adding to it. When one includes the \$141 billion of additional interest payments that are required to finance the tax cut, on-budget deficits are likely to appear.

The bill will force education, veterans programs, federal health research, environmental programs, farm programs, our national defense and other vital programs to be slashed. The Republican tax bill will require an average 27 percent cut in all domestic spending programs by 2009. To cite just one example, if the Majority sticks to their budget caps, \$1.4 billion would be cut from veterans' health programs—which are already universally recognized as woefully under funded. In point of fact, our veterans programs are an outright disgrace and the Republican bill exacerbates the problem.

The Republican scheme will also explode the deficit and threaten our growth over the long-term. Last year, for the first time in thirty years, the federal budget was in surplus. The Republican bill will reverse that course because it will cost as much as \$3 trillion in the out-years. Although it is cleverly and carefully masked, the Republican bill explodes the deficit in the out years and will produce higher deficits, higher interest rates and cripple economic expansion. Rather than paying down the debt as proposed by the President, the Republican tax scheme adds to the debt.

Finally, the plan put forth by the Republican leadership would only benefit the wealthiest Americans. According to Citizens for Tax Justice, the wealthiest one percent of taxpayers would receive 45 percent of the benefits. Sixty-five percent of the total tax cut will benefit the top ten percent of taxpayers, those with incomes over \$115,000. In aggregate, 90 percent of taxpayers will receive less than a third of the benefits included in this package. That is simply unfair, and Americans know it.

Congress must use the surplus for Medicare and Social Security first. Then we can consider responsible tax proposals that sustain our growth and do not threaten our economic prosperity. The Democratic alternative is the responsible approach and I urge its adoption.

In short, my Republican colleagues have crafted either one of the slyest now you see it, now you don't scams in the history of government or they have crafted one of the most irresponsible tax cuts ever designed to cripple government and to endanger essential programs like Medicare and Social Security.

Moreover, they did it in a sneaky partisan way, totally disregarding traditional open legislative practices. No wonder the tax program here is so bad.

It must be defeated and I urge a no vote.

Ms. ROYBAL-ALLARD. Mr. Speaker, I rise in the strongest possible opposition to the Republican tax cut plan.

This is a bad bill for a number of reasons: First, the \$792 billion plus tax cut is fiscally irresponsible.

To pay for this tax bill, Republicans would force drastic cuts in vital programs affecting health care, education, law enforcement, science and technology, the environment, agriculture and countless other programs.

Moreover, when you deduct the promised increases for defense spending and set aside money to preserve Medicare and Social Security, no room is left for a tax cut of even half this size.

Second, because many of the tax cuts included in this bill are phased in over time, the total future cost of this bill will be astronomical.

While the projected cost of these cuts is \$792 billion over the first ten years, the cost skyrockets to possibly more than \$3 trillion in the second ten years, according to the Treasury Department.

Finally, this huge tax cut does little to benefit middle and low income working families—those who need it the most.

In fact, according to Citizens for Tax Justice, a taxpayer watchdog group, close to half of the tax benefits in this bill would go to the richest one percent of American taxpayers—people making over \$300,000.

While I support cutting taxes, we must make sure that these tax cuts benefit hard-working low- and middle-income families.

The Democratic alternative recognizes that all American families need to share in our booming economy—not just the ultra-rich.

Towards this goal, the Democrats' bill includes marriage penalty tax relief for all married couples who need it—the Republican bill does not.

For example, low-income families experience a marriage tax penalty in relation to the Earned Income Tax Credit.

The EITC is a highly effective program which benefits millions of working families by providing them with a small credit to help make ends meet.

However, when individuals receiving the EITC marry, their benefit is often significantly reduced or taken away.

The Democratic alternative revises the Earned Income Tax Credit to relieve this marriage tax penalty.

This simple act of fairness is missing from the Republican bill.

In short, the Republican proposal is fiscally irresponsible, will result in devastating cuts to critically needed programs, and ignores low-income and middle-income families as it dispenses its benefits to the wealthy.

I urge my colleagues to support the modest, even-handed Democratic tax relief package, which recognizes our long-term commitment to Medicare, Social Security and the many priorities we need to address this year and next.

I urge my colleagues to oppose this irresponsible Republican bill.

Ms. SANCHEZ. Mr. Speaker, I rise because today the House will vote on a tax bill that has the opportunity to address one of the most pressing difficulties facing our schools: overcrowded and run-down facilities.

Our schools are simply worn out and out of room. Conditions are so poor that we would have to spend \$112 billion to make the basic repairs needed. One out of every four schools is holding more students than it was designed for. Enrollment is skyrocketing—48 million K-12 students will be attending our public schools by 2008.

The House can do something about it. The Democratic version of H.R. 2488 includes language expanding the opportunities for communities to raise school bonds to renovate existing school facilities and build new ones.

School construction bonds are good for our communities. Local areas want to improve school facilities, but they need help. And new school and classroom construction means local jobs—lower unemployment, and working men and women taking home new paychecks.

School construction bonds are good for taxpayers. Whether to invest in these bonds will

be a decision that neighborhoods, towns and school districts make—not the federal government or the IRS.

School construction bonds are good for schoolchildren. Right now our children attend schools with leaking roofs, inadequate wiring and chipping paint, crammed into storage closets, libraries and gyms for lack of classroom space. By neglecting to provide an environment appropriate for learning and teaching, we are sending our youth a message that their academic success is unimportant to us. This tragically shortchanges our students.

The 106th Congress has the opportunity to pass meaningful school construction legislation. I urge my colleagues to vote for the Democratic alternative and help our communities earn the opportunity to expand and rebuild America's schools.

Mr. HOLT. Mr. Speaker, I rise today in reluctant opposition to H.R. 2488, the Financial Freedom Act of 1999. I had hoped to be able to vote today for responsible tax cut legislation that could return some money to the people who elected us. Unfortunately, legislation of that type is not on the floor.

I support targeted tax cuts.

I have joined together with Republicans on some of the very proposals contained in this package. I agree that we need to substantially modify the estate tax that penalizes small business people and family farms. I agree that the tax code should not penalize marriage. I support tax credits for long-term health care and to help ease property taxes on citizens by helping communities with the costs of modernizing their schools. I support the research and development tax credit. And I support modernizing and simplifying the entire tax code.

But the bill that the Ways and Means Committee has brought forward is a massive bill based on a breathtakingly irresponsible roll of the dice. It is a political document that promises massive tax cuts—nearly \$792 billion in tax cuts—with money that we do not now have, and may never have if projected budget surpluses do not materialize.

A large proportion of the predicted budget surpluses is based on the assumption that Congress, the President and our constituents will agree to deep cuts—cuts of almost 20 percent—in investments in education, health care, environmental cleanup, research, law enforcement and every other item of discretionary federal spending.

Some cuts need to be made in government spending. But it is not realistic to assume that Congress will pass these deep reductions when it has already shown reluctance to pass cuts of even a fraction of this size during this year's appropriations process. And the bill assumes that our nation will never face emergencies like natural disasters, unexpected military operations or downturns in the economy.

According to the Congressional Budget Office, this bill assumes \$180 billion in cuts below the baseline in discretionary spending over the next ten years. Those projected cuts and that spending of the projected budget surplus for large tax cuts jeopardizes our ability to protect Social Security and Medicare for future generations.

Mr. Speaker, politicians make promises. But this bill sprinkles promises like fairy dust, with no thought to how those promises will be kept, or the consequences for our economy if they are not.

No parent in my central New Jersey district bets their children's financial future on rosy

scenarios and sunny, castle in the sky projections. They sit around the kitchen table and budget their bills, and their income and their anticipated expenses. And they make tough choices. The very least they can expect from us is the same type of honesty and responsibility when we make decisions that effect their families.

Some here will try to make this a partisan issue. But the fact is that some Democrats would love to pass targeted tax cuts. And some Republicans, from the moderates who opposed this bill last night, to watchdog groups like the Concorde Coalition, have clearly stated how irresponsible they believe this bill is. Fifty economists, including six Nobel Prize Winners, have called this approach irresponsible. Even the Wall Street Journal—hardly a group of wild-eyed liberals—has been vocal in their criticism.

It does not help that a large portion of this \$792 billion bill is dedicated to special interest tax provisions. These expensive provisions don't go to families. They don't go to workers. And they don't go to seniors. They benefit mining interests—oil and gas producers—and large multinational corporations. These tax changes may or may not be good ones. We haven't had the chance to review them because they were inserted at the last minute. What we do know is that they are extremely expensive. And I don't think that any of my constituents think that giving away \$300 billion in tax breaks to corporations without review is the way we ought to be making public policy.

Mr. Speaker, people in New Jersey pay a lot in taxes. I want very badly to provide a responsible tax cut to these hardworking citizens. And I had hoped to be able to do that today. Frankly, the easy vote for me today would be to cast a yes vote on this package, and hope that someone—somewhere—at sometime further along in the legislative package says "Wait a minute. This doesn't add up."

But I cannot.

My constituents elected me to make judgments based on evidence, not ideology. And the evidence of this bill is that it has very real potential to throw our economy back in the financial ditch that Republicans and Democrats have labored for so long, and so hard, to climb out of.

We can come together to pass a responsible bill. There are men and women on both sides of the aisle that want to see responsible tax relief. This legislation is not that. I urge my colleagues to vote no on H.R. 2488.

Mrs. CAPPAS. Mr. Speaker, I rise today in support of common-sense tax relief for American families and small businesses. I also rise in support of saving Medicare and Social Security, two programs critical to today's seniors and future generations.

Unfortunately, the bill before the House today, H.R. 2488, is fiscally irresponsible. It would threaten our ability to ensure the long term solvency of Medicare and Social Security. It would also restrict our ability to pay down national debt and to make needed investments in national defense, education and environmental protection.

By using the entire projected surplus for permanent tax cuts, this bill would leave no money for modernizing Medicare or reforming Social Security. This is simply unconscionable. Medicare is desperately in need of modernization—specifically, the lack of prescription drug

coverage is a gaping hole in this critical safety net for seniors that must be fixed. And while Social Security is fiscally sound for the near future, the coming retirement of the baby boom generation will strain the system beyond its limit. We owe it to future generations to act now to reform these programs while there is still plenty of time to do so.

H.R. 2488 would also keep us from paying down the \$3.7 trillion national debt. Indeed, the Treasury Department estimates this bill would add over \$150 billion in interest payments on that debt over the next 10 years. And the cost of the bill explodes over the second 10 years—to \$3 trillion—precisely at the time that our Social Security and Medicare rolls will be increasing with newly retired baby-boomers.

The tax cut bill that I will be supporting today contains several important reforms that I have long supported, while allowing us to preserve Medicare and Social Security. This bill would fix the marriage penalty and ensure middle class families can take full advantage of the various per-child, education and child care tax credits. It would also increase the per-child tax credit by \$250 for families with children under age five.

The bill I support would help families by providing \$25 billion in school construction bonds to modernize our overcrowded public schools and make employer-provided assistance tax free for undergraduate and graduate education. This measure would institute a \$1,000 long term care credit and make health insurance fully deductible for the self-employed beginning next year. And it would make permanent the R&D tax credit, so critical to ensuring future economic growth on the Central Coast, as well as credits to help move people from welfare to work.

The bill would also provide some relief from estate taxes for all taxpayers. But I believe it should go further. The clear need for relief in this area is for small businesses and family farms like those on the Central Coast of California who are imperiled by the death of the head of the family. We must increase the exemption for businesses like these above the current \$1.3 million. The high value of Central Coast land, for example, can make even a modest sized farm or ranch impossible to pass down without being subject to high estate taxes that can force the sale of the property. By increasing this exemption, we would keep family farms and businesses in the family and off the auction block.

Finally, Mr. Speaker, I would like to express my profound disappointment in the partisan handling of this tax bill. I believe there is general agreement among the vast majority of Members that we can and should provide tax relief this year. But the House leadership has pursued a partisan course designed to make political points and not to pass meaningful legislation.

The leadership knows H.R. 2488 will not become law. By seriously sitting down and negotiating a common sense tax bill we could easily pass legislation this summer and give families and businesses the tax relief they deserve. I hope that we can put the partisanship aside and work together on formulating real tax reform this year. Our constituents deserve nothing less.

Ms. STABENOW. Mr. Speaker, I rise today to oppose the irresponsible Republican tax break proposal geared towards the wealthiest

Americans, and support the Rangel Substitute. We have a truly historic opportunity in front of us. Today we can vote to build on the fiscal responsibility that has helped balance the federal budget by passing the Rangel Substitute, which will strengthen Social Security and Medicare while paying down the national debt and also provide a pro-family, pro-growth tax cut. Instead, the Republican majority will sacrifice this unique moment in order to give a tax windfall to the wealthiest Americans.

Quite simply, the Republican proposal is unfair to the vast majority of taxpayers in my home state of Michigan as well as across the nation. According to the Joint Committee on Taxation, one out of every three families will receive NO tax relief at all under this bill. In addition, Citizens for Tax Justice estimate that families making between \$38,000 and \$63,000 will receive an average tax cut of \$17, while families with annual incomes of \$300,000 or more will get an average cut of \$8,300.

Of course, the decision to push this inequitable plan has opportunity costs. While giving tax breaks to the rich, the Republican legislation does nothing to extend the solvency of the Social Security and Medicare Trust Funds by even one day, and will not allow for Medicare reforms, such as a comprehensive prescription drug benefit and restoring cuts to critical services such as home health care, hospital reimbursements, and nursing homes.

Mr. Speaker, if we do not strengthen Social Security and Medicare and pay down the national debt during good economic times, we never will. We must not squander this chance to put our fiscal house in order, but a vote for the Republican plan will do just that. The Rangel Substitute will accomplish the above goals while also extending tax relief to those that need it most—middle class families, small businesses, and family farmers. I urge my colleagues to vote for the Rangel Substitute and oppose the Republican measure.

Mr. EVANS. Mr. Speaker, again, Congress is faced with a tax proposal that fails to address the needs of working Americans.

Instead, my Republican colleagues have crafted legislation that reflects only the concerns of corporate "Fat Cats" and wealthy special interests.

Mr. Speaker, tax breaks for the richest 10% of Americans does little to reaffirm working men and women's faith in their Government.

After years of belt-tightening and fiscal discipline, we have been given a rare opportunity to lessen the burden on families struggling to make ends meet while preserving Social Security and Medicare. Yet today, we are debating an irresponsible, politically motivated, tax cut that does little for average citizens.

Under the guise of returning government dollars to the pockets of Taxpayers, this proposal is a death knell for programs that reflect the values and priorities of working Americans—Education, the environment, proper care for our seniors and veterans.

Today, I will vote for the Democratic substitute that pays down the national debt, shores up our Social Security and Medicare programs and provides tax breaks for working families. Our bill will sustain the growing economy and protect programs that help the majority of Americans, not just a wealthy few.

Mr. HAYES. Mr. Speaker, last November the voters of our Nation returned to Congress a conservative majority to accomplish four things: Preserve Social Security and Medicare,

provide every American child with the opportunity to receive a world-class education, strengthen our national defenses, and finally, return any tax overcharges where they belong—to the United States taxpayer.

Today we have the opportunity to complete the fourth component of an agenda that reflects the priorities of America. Chairman ARCHER, the members of his committee and his staff are to be commended, as in the leadership of the majority party. Thanks to them, we have a chance to provide broad based tax relief for working Americans. The first real break they have had in almost 20 years. After all it's their money not the government's.

In the last fiscal year, the federal government collected \$1.8 trillion, almost \$80 billion more than it needs to operate. Recent budget projections indicate that the federal government will take in more than \$3 trillion in surplus revenues over the next ten years—\$3 trillion, Mr. Speaker. I've got news for every member that opposes significant tax relief—the American people are paying too much money to the government. That money does not belong to politicians, it belongs to the people. And they know how best to spend it.

There are those who say we must keep this money to preserve Social Security. Mr. Speaker, their remarks are not correct. The majority-crafted Social Security Lock Box legislation, which this body passed a month ago, protects all of the Social Security Trust Fund from bureaucratic political spending. The truth of the matter is that those who want to keep the money here in Washington want to spend it on more government. They should be ashamed. Government is too big already. We have a significant portion of the population in this country struggling to make ends meet, and many Washington politicians don't trust them to spend their own money.

Mr. Speaker, there are millions of Americans working 12 to 14 hours a day, every day, to secure a brighter future for their families. They are saving for that first home, for their children's college education and for their retirement. Let's take this historic opportunity to help them realize their dreams. Support this legislation and give the American people more of their money and the tax relief they deserve.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in opposition to H.R. 2488, a misguided, imprudent tax bill. The Financial Freedom Act is an irresponsible piece of legislation which reduces taxes for the rich, and jeopardizes vital programs which sustain the most vulnerable Americans. This tax cut will not help the American people. Instead, it will threaten Social Security, Medicare, and the quality of our children's education, while benefiting the most wealthy portion of society.

Republicans want to spend \$792 billion on an enormous tax break for the rich. Their plan is based on an uncertain assessment of America's financial future. They want to bet our future, our children's future, and our senior's security on the soundness of shaky predictions of potential surpluses. I cannot support such an extensive reduction in federal revenue when it endangers the strength of essential public programs for the benefit of the few.

The Financial Freedom Act bill is designed to benefit only the rich. Republicans even modified the provisions late in the evening before this debate so that any tax break for the average middle-class family is conditional. The sponsors of this bill take a projected surplus,

and instead of prudently paying down our national debt, reinstating drastically-cut funding for Veterans, education, or Social Security, they give it to the most affluent individuals in our society. They choose to provide benefits to America's wealthiest ten percent, instead of acting in the best interest of all citizens. This is unfair, dangerous fiscal policy.

Mr. Speaker, my vote will be cast in favor of the solid, well-balanced Democratic substitute plan offered by Mr. RANGEL. This bill provides sound tax cuts to the average American citizen. Mr. RANGEL's bill eliminates the marriage tax penalty by increasing the standard deduction for married couples. It accelerates the estate tax exclusion so that the estates of small business owners can safely pass to the next generation. It provides an increase in the child tax credit for children under five. It designates interest free funds to states and localities for school construction. It gives long-term care provider tax credits and accelerates the deductibility of health insurance purchased by those who are self-employed. All of these tax deductions help average, working American families. We can accomplish all of this benefit to American families, without jeopardizing the future of Social Security, without threatening Medicare's solvency, without selling out our children's education, and without deserting our nation's Veterans.

Mr. LIPINSKI. Mr. Speaker, I rise today in opposition to the fiscally irresponsible tax cut bill we have before us today. More importantly, I strongly support this motion to recommit that instructs the Ways and Means Committee to reduce the size of the tax cut to one-quarter of the on-budget surplus and creates an account to lock up half of the on-budget surplus for debt reduction.

As a fiscal conservative who wants to lower interest rates and reduce the debt for future generations, I welcomed the renewed emphasis given to deficit and debt reduction when the Republicans took over Congress. Unfortunately, the majority party has lost track of the fiscal conservative roots and now wishes to spend almost of the projected surplus on tax cuts. I emphasize the word "projected" because the surplus has yet to materialize, and I think it is fiscally imprudent to spend money we do not yet have. As some of my like-minded Democratic colleagues have pointed out, budget projections for the next ten years have improved by nearly \$2 trillion in the last twelve months, and the rosy projections could turn gloomy just as quickly.

While my voting record shows that I generally support tax cuts, I believe this is not the proper time, place, or source of money for a tax cut of such magnitude. The Congressional Budget Office's projected \$996 billion surplus in the next 10 years assumes that all of the surplus will be saved for debt reduction, thereby reducing the interest payments we have to make on our \$5.6 trillion debt. However, if we spend any part of that surplus, additional payments for debt service would automatically be triggered. Therefore, the \$792 billion tax cut we have before us today will actually have a price tag in the area of \$940 billion. This leaves almost no money to lower the debt or to pay for vital programs that Americans hold dear.

By only spending 25 percent of the surplus on tax cuts, we can still save a majority of the surplus for debt reduction, with some money going to domestic and defense programs, and

some money in emergency reserve for Social Security and Medicare. However, I believe that any use of the surplus—whether it be for tax cuts, domestic programs, or Social Security—should be put off until we actually have a surplus. We would take great risks and send a bad message to future generations if we spend even one cent of an un-yet-realized surplus.

So, Mr. Speaker, let's not be fiscally imprudent and rashly give to much of the surplus away in tax cuts. We should do what is right for the future of this country and vote for the motion to recommit.

Mr. SANDLIN. Mr. Speaker, I rise in support of the Motion to Recommit.

The republican tax bill is the definition of fiscal recklessness. It seeks to enact a tax cut that is based only on projected surpluses under ten and fifteen year estimates. Budget projections for the next ten years have improved by nearly \$2 trillion in the last twelve months—they could go the other way just as quickly. If budget projections turn out to be wrong, the budget will return to deficits financed by borrowing from the Social Security surplus. Even the Congressional Budget Office—the source of budget projections upon which the Republicans' tax cuts are based—says these projections could vary as much as \$100 billion a year. That's an extremely wide margin of error, wide enough to cause deep concerns among fiscal conservatives like me.

Furthermore, even though Republicans are spending money they can't guarantee will exist, their tax plan still leaves no resources to meet important needs in education, agriculture, or defense, as well as funding for our veterans and other priorities. It is based on the assumption that discretionary spending will be cut by \$595 billion below 1999 levels adjusted for inflation over the next ten years. This will require a cut in all discretionary programs of ten percent below current levels. Any increased spending in any area will require even deeper cuts in all other spending. The exploding costs of the tax bill will place an even greater squeeze on discretionary spending in later years.

If these massive tax cuts are passed, education will suffer greatly. The Republican tax bill includes a change to the tax-exempt bond arbitrage rules that largely fails to meet the stated objective of modernizing schools, especially in rural areas. Under H.R. 2488, school districts would have four years to spend school construction bond proceeds rather than the two years currently permitted. According to Republicans, this would enable school districts to invest bond proceeds for a longer period and recognize greater arbitrage profits. The Republicans contend that their plan is universal, covering cities, suburbs, and farms.

The truth is, many suburban and city school districts will receive no benefits from the Republican proposal. Schools with urgent needs, forced to teach children in trailers and dilapidated buildings, would not benefit from H.R. 2488. Their backlog of unmet needs means that they do not have the luxury of waiting four years before completing school construction. The Republican proposal also largely excludes some of our most needy school—those in rural areas. The provisions in the Republican tax bill may benefit a few large, wealthy school districts with the financial capacity to issue large bonds four years in advance of need, but it will not help rural districts.

The bottom line is simple: this bill will only serve to hurt the American people by jeopardizing the stability of our economy and the prosperity of future generations for the instant gratification of tax cuts that are not only irresponsible, but dangerous. In reality the best tax cut we can give to all Americans is keeping interest rates low by paying down our debt. Reducing our national debt will provide a tax cut for millions of Americans because it will restrain interest rates, thereby saving them money on variable mortgages, new mortgages, auto loans, credit card payments, etc. Each percentage point increase in interest rates would mean an extra \$200–\$250 billion in mortgage costs to Americans. Paying down the national debt will protect future generations from an increasing tax burden to pay interest on the debt run up by current generations. More than 25% of individual income taxes go to paying interest on our national debt. Every dollar of lower debt saves MORE than one dollar in taxes for future generations.

I urge you to act responsibly and conservatively—support the motion to recommit and secure a prosperous future by paying down the debt and saying no to fiscally reckless tax cuts.

Mrs. MCCARTHY of New York. Mr. Speaker, the Tax Bill presented on the House Floor today is extreme. It ignores the overwhelming need for Congress to address debt reduction and protect the long term health of Social Security and Medicare. Furthermore, this irresponsible tax proposal jeopardizes important priorities of mine, such as health care for our nation's veterans.

I believe the overwhelming majority of this Congress wants to support a balanced and responsible tax cut. I know that my constituents on Long Island need tax relief. But the bill before us simply goes too far. The bill before us has been drafted to score political points. In order to demonstrate their support for a huge tax cut, the House leadership has sacrificed responsible economic policy.

Several Members of the majority party have expressed their opposition to this irresponsible tax break because the huge cuts have been based on unproven estimates about the so-called budget surplus 15 years from now. The average American citizen certainly understands that using such projections is dangerous and irresponsible.

Rather than trying to score political points, I believe we should be debating a tax cut that will meet the priorities of the majority of this Congress. Let's enact a more reasonable tax cut that will allow us to protect Social Security and Medicare, as well as improve healthcare for our veterans.

Mr. Speaker, I will support tax cuts to help Long Island's families, businesses, seniors and veterans. However, the tax cuts contained in H.R. 2488 are dangerous and irresponsible and could jeopardize the economic security of my constituents. Therefore, I urge members to oppose H.R. 2488 and support more responsible and reasonable tax policy.

Mr. VENTO. Mr. Speaker, I rise in opposition to this latest attempt to mortgage our children's future to enrich the richest one percent of our nation. Rather than financial freedom, this bill represents fiscal risk, irresponsibility, and unfairness. According to the independent research group, Citizens for Tax Justice, this tax scheme will give taxpayers earning more than \$301,000 per year an annual bonus from

Uncle Sam of \$54,000. Taxpayers earning up to \$38,000 will also benefit they receive an average annual tax cut of \$101. That is truly generous of my Republican colleagues. With the passage of this bill, a small elite will get more in tax benefits than many working families in my family earn in an entire year. This plan gives a new meaning to Robin Hood—steal from the poor to give to the rich.

In their rush to reward those they consider truly needy, the Republican Majority refuses to set aside even one dollar of the on-budget surplus to extend the solvency of the Medicare Trust fund or the Social Security Trust Fund. \$4,500 a month in new tax breaks for taxpayers earning more than \$301,000 but not a penny for resolving the Medicare and Social Security programs. Mr. Chairman, it is time for a reality check.

Frankly, this fiscal tax expenditure scheme, which is based on speculative projections, risks undercutting the solid economic growth of the U.S. and the global economy. This scheme threatens to blow a hole in the budget, stacking up dollar after dollar in deficit red ink with no chance to pay down the U.S. \$5.6 trillion debt, while starving the defense and domestic programs to commitments significantly less than in 1999. Ironically, we cannot even meet the needs today and this tax scheme assumes \$100 billion less over the next ten years. This action and projection assumes no emergency spending, no military needs, no natural disasters, no new investment in families and places the U.S. economy in a straight jacket. At its best, this measure is irresponsible, unneeded, unfair, unworkable and represents bad judgment and politics at its worst.

I believe that it is possible for Congress to approve a targeted tax cut that will benefit working families. Such a tax cut could include fairness in the marriage penalty and incentives to help families to help themselves. Such a tax cut should be based on real economic projections and not be viewed through the rose colored glasses that the Republicans have used. Above all else, these tax cuts will not be achieved at the expense of Social Security and Medicare.

In considering tax reform, Congress should not ignore the hidden tax imposed on American taxpayers—the tax on their time. Today, the tax code is too complex and takes far too much time for the average taxpayer to file a tax return. According to the Internal Revenue Service (IRS), it took the average taxpayer nearly 16 hours to prepare and file a typical tax return (Form 1040 and Schedules A and B). That is two days work spent on federal taxes.

In 1996, to focus Congressional and public attention on tax reform and simplification and to cut the time that it takes to file taxes, I introduced H. Con. Res. 241, the "10 for 60" Resolution. My proposal directed Congress and the Administration to cut the time it takes to prepare taxes in half. As a first step, my proposal called for 10 changes that would cut by 60 minutes the time it would take to do taxes in the next year. This proposal was intended to focus Congressional attention on the real problems with our tax system.

This year, our colleague from Massachusetts, RICHARD NEAL, has reintroduced the Individual Tax Simplification Act of 1999, H.R. 1420. This legislation, which I have cosponsored focuses on simplification for individual tax forms in a revenue neutral manner. H.R.

1420 would eliminate about 200 lines from tax forms, schedules and worksheets. This legislation should be viewed as the first down payment on real tax simplification and should be included in any tax legislation adopted this year.

Mr. Speaker, I recognize that the current tax system is not perfect. Continued improvements can and must take place. Any tax reform package must be judged on specific criteria including the impact on budget, tax form simplification, equity for all taxpayers and sound public policy. As Congress considers tax reform, I will continue to advocate for those principles and support responsible legislation like the Democratic substitute amendment.

The fundamental problem with the GOP tax measure is the risk to the economy, it doesn't add up and the recent changes just underline that mathematical error, subtract nearly a trillion dollars the entire on budget projected surplus the next ten years, then add back in the spending bills that the Republican majority vigorously advocate, such as the Pentagon appropriation, and you end up with a new added deficit—new debt as far as the eye can see and if its debt the next ten years the results explode on the next 20 years beyond reason. The prudent course of fiscal policy would be to meet our commitments to Social Security and Medicare, reasonably fund programs that we agree upon like investments in people, and pass a tax cut the Democrat tax measure that adds up not reliving the thrilling high deficit days and actions of the Reagan Era when the total debt quadrupled—vote for Rangel and vote against this political math foisted upon us by H.R. 2488.

Ms. BALDWIN. Mr. Speaker, I rise today in strong opposition to the \$792 billion tax cut being considered in the House today. This legislation spends the entire projected budget surplus, leaving nothing to reduce the national debt or extend the solvency of Social Security and Medicare.

For the first time in forty years, the federal government will achieve a budget surplus without relying on the surplus from the earmarked Social Security taxes. This achievement results from difficult budget decisions that have been made over the past decade. Today we are experiencing greater productivity, low inflation, low unemployment and broad based growth in real wages because we have focused on reducing deficits, paying down our debt, lowering interest rates and investing in our people. This legislation seeks to undermine the fiscal discipline that has created our current economy.

Today's tax-cut legislation uses projected budget surpluses which may not materialize and could force further cuts in domestic discretionary spending. It is appalling that in this era of economic prosperity, instead of a congressional debate about needed long term investments to strengthen our domestic security, we are focusing on financing a tax give-away through budget cuts in programs that educate children, feed the hungry, provide health care and child care, and keep our drinking water safe.

As a nation, we cannot continue to tolerate the fact that in America, 43 million people have no health insurance. Sharing our nation's strength and good fortune through investments that work is far wiser and will pay for greater dividends than spiraling tax breaks for the most affluent Americans.

Mr. CALVERT. Mr. Speaker, I rise today in support of the Financial Freedom Act of 1999. This is a common-sense piece of legislation which would provide broad based tax relief to individuals and families.

For forty years, the Democrats had control of Congress and practiced their policy of, tax, tax, spend, spend. Now that Republicans have been in the majority for more than 4 years, we have balanced the budget, agreed to set aside all Social Security surplus funds for social Security and Medicare, and still have an excess of funds.

Not surprisingly, the Democrats would prefer to keep these funds in Washington and create new and unneeded programs.

The Democrats are acting as if they found a wallet full of money with no ID. They want to take the money and run with it. But this wallet does have an ID. It belongs to the American taxpayer. It is our moral obligation to return their money.

Mr. Speaker we have these excess of funds because our economy is booming. And, the economy is booming because of the hard-work of the American people. Mr. Speaker, what has Congress contributed to the GDP? Nothing!

We have no right to keep this money in Washington. We should return this money to the people who have worked long and hard for it.

The Financial Freedom Act is a solid piece of legislation and I urge my colleagues to support it.

Mr. COYNE. Mr. Speaker, I rise in opposition to H.R. 2488. I believe that this legislation will lead us back to another era of budget deficits.

This bill is irresponsible because it relies upon uncertain projections. It is irresponsible because it relies upon unrealistic assumptions. It is irresponsible because it would cut taxes dramatically before Congress has taken the necessary steps to address the long-term solvency of Social Security and Medicare—not to mention the other challenges facing this country, challenges like providing education for our children, prescription drug benefits for our seniors, and affordable health insurance for all Americans. And it is irresponsible because it targets its tax relief to the wealthiest households in the country—the ones who have benefited most from the economic growth of the last 20 years—rather than to the hard-working families who have borne the burden of modernizing and streamlining our economy over the last two decades.

This bill would be paid for with a trillion-dollar surplus that doesn't yet exist. At this point, it is just a budget projection. Anyone who has watched the federal government struggle to get its deficits under control over the last 18 years knows that budget projections are notoriously inaccurate, and that slight changes in some of the assumptions can change the results significantly. The trillion dollar surplus we are expecting might never materialize if the economy suffers some kind of setback.

Furthermore, an 800 billion dollar tax cut might even be the cause of such a setback. A tax cut now, when unemployment and inflation are both at record lows, could overheat the economy, bring back inflation, and trigger economic stagnation or even recession. Alternatively, it is conceivable that a huge tax cut could conceivably end the current period of economic growth simply by destroying public

confidence in the federal government's willingness to exercise fiscal restraint.

In addition, the trillion dollar surplus is based on the assumption that discretionary spending will stay below the existing budget caps until 2002 and then rise only with inflation. There is no trillion dollar surplus if discretionary spending is raised above the levels set by the current caps. But many of our colleagues, both Republicans and Democrats, have indicated that they believe that the current discretionary spending caps are unacceptably low and should be raised enough to allow adequate levels of spending on federal activities like law enforcement, medical research, and education. I share their concerns, and I firmly believe that discretionary spending should be increased to address such pressing domestic needs.

Moreover, in considering the tax bill before us today, it is important to remember that even if the economic assumptions are correct and Congress chooses to limit discretionary spending sharply in order to pay for these tax cuts, the projected on-budget surpluses are only expected to last for 15 years. After 2015, Social Security, Medicare, and Medicaid costs are expected to produce massive budget deficits as the Baby Boom generation retires—deficits in the hundreds of billions of dollars each year. We cannot responsibly make large tax cuts today without first preparing for the massive financial challenge that awaits us in a few years.

Such fiscal irresponsibility reflects a dramatic about-face from the progress we have made on the budget in recent years. I strongly believe that we must pursue fiscal policies that are conservative and cautious. That means that tax cuts should wait until after we've fixed Social Security and Medicare—and until the federal government has actually produced the surpluses necessary to pay for them.

In addition, I believe that tax cuts should be balanced against other pressing national needs—like lifting children out of poverty, making prescription drugs affordable for our seniors, providing high-quality education to our children, and guaranteeing affordable health insurance to all Americans.

And if we are going to cut taxes, I believe that we should cut the taxes of the working- and middle-class households who need and deserve tax relief the most, instead of cutting taxes disproportionately for the wealthy, as H.R. 2488 does.

That is why I support the Democratic alternative tax cut proposal—which provides significant but not profligate tax relief, conditions that tax relief upon action to make Social Security and Medicare solvent, and targets its tax relief to hard-working, middle-class American families who are struggling to make ends meet rather than those fortunate few who already have it pretty good.

Like the bill introduced by Chairman Archer, the Democratic alternative raises the standard deduction for married couples filing jointly to eliminate the marriage penalty for many middle-class families—but it also reduces the marriage penalty on many working-class couples by fixing the Earned Income Tax Credit.

The Democratic alternative also increases the size of the existing Family Credit by \$250 for each child less than 5 years old, and it uses tax credits to leverage private investment in poor communities, in improving the environment, and in school construction and mod-

ernization. The Democratic bill provides tax relief to small and family-owned businesses by increasing the existing section 179 expensing provision, and by accelerating the expansion of the estate tax exclusion. And the Democratic tax cut simplifies multi-employer pension programs that cover millions of working Americans.

The Republican tax plan, by contrast, disproportionately benefits the wealthiest Americans. It would phase out the estate tax, which currently only affects the richest 2 percent. It would lower taxes on capital gains income, most of which goes to the most affluent Americans. And even the centerpiece of the Republican tax cut, the 10 percent across the board rate reduction, would disproportionately benefit the rich.

The most important difference between the Democratic Republication bills, however, is the fact that the tax cuts in the Democratic alternative are contingent upon action on Social Security and Medicare. The majority of the tax cuts in the bill would not take effect until after the solvency of the Social Security and Medicare Programs is ensured. The tax cuts that would be enacted immediately—the sections of the bill making certain existing tax provisions permanent—would be offset with the revenue-raising provisions identified in Chairman ARCHER's bill.

I believe that the more modest size and the contingency provisions of the Democratic alternative tax cut bill make it a much more responsible tax relief bill than H.R. 2488.

Finally, Mr. Speaker, the Democratic tax cut alternative targets tax relief to the working- and middle-class families who are struggling to make ends meet. Those are the people who deserve tax relief the most. The Democratic bill, unlike the Republican bill, would eliminate the marriage penalty for low-income families. The Democratic alternative, unlike the Republican bill, would provide targeted assistance to working families for education, health care, long-term care, and child care. And the Democratic bill would provide estate tax relief to family farms and small businesses without, like the Republican bill, exempting the super-rich from all estate taxes. In short, while the Democratic tax cut alternative would not cut taxes as much as the Republican bill, it would cut taxes for many working families more than would the Republican bill.

Consequently, on the grounds of fiscal restraint, responsibility, and fairness, I urge my colleagues to join me in rejecting this unwise legislation and supporting the Democratic alternative.

Mr. BALLENGER. Mr. Speaker, today, I want to go on record in favor of "The Financial Freedom Act of 1999," a tax relief package which is a consequence of our strong economy and the successful 1997 Balanced Budget Agreement. You will recall that this historic budget deal put us on the glide path to a balanced federal budget which we now expect to attain in the current fiscal year—much sooner than we promised the American people. This fact presents us with an opportunity—and an obligation to our constituents—to do the right thing with our nation's fiscal affairs.

I applaud the House leadership and the Ways and Means Committee, ably chaired by our colleague from Texas, Representative BILL ARCHER, for their commitment to bringing to the floor for a vote "The Financial Freedom Act." Equally important, I embrace the commitment

we have made to spend two out of every three dollars of the expected federal budget surplus for retirement security—let me stress this important fact, Congressional Republicans have promised to protect Social Security and Medicare for our nation's seniors before we give tax cuts. We're keeping that promise by locking away surplus funds from retirement security programs. We have pledged to return surplus dollars generated from excessive federal income taxes—this is the message of "The Financial Freedom Act of 1999."

In addition to the relief for American taxpayers and their families in general, I want to take a minute to endorse the important changes in the tax code contained in "The Financial Freedom Act" to enhance retirement savings. For two years, I have advocated a sensible change to our tax laws related to employee stock ownership plans, or ESOPs. Specifically, the Ways and Means Committee included in the base bill a provision that would permit an employee participating in an ESOP to reinvest cash dividends paid on his or her stock for more company stock and permit the corporate payor of the dividends to take a tax deduction equal in value to the dividends.

Current law permits the corporate payor of dividends on ESOP stock to take a deduction if the employee receives the dividends in cash, or if the employer uses the dividends to pay debt incurred to acquire the stock for the ESOP. So, oddly, current law does not permit the employee to voluntarily reinvest the dividends in more company stock. While there is a convoluted way to almost accomplish the same result (i.e., a tax deduction for reinvested ESOP dividends), it involves getting an IRS letter ruling, is limited in its applicability and causes administrative headaches in trying to coordinate the reinvested dividends with 401(k) elective deferrals.

The confusion and needless regulatory burden of current law motivated me to introduce the very provision included in the Committee's bill in May 1997, in H.R. 1592, and to reintroduce this provision again this year as Section 2 of my bill, The ESOP Promotion Act of 1999 (H.R. 2124).

This provision is estimated to provide a new \$200 million plus incentive for the expansion of stock ownership by employees.

Let the record show that Chairman ARCHER's mark recommended the change in law, and that this action by the Chairman was the very first time, may I repeat, the very first time in the near 25 year history of ESOPs that the House Ways and Means Committee Chairman's mark contained a positive expansion of ESOP law. May I compliment the Chair and my majority colleagues because for most of the 25 years of ESOP legislative history, the Committee was controlled by the other party and it seemed that every time we turned around someone was trying to take away from ESOPs and employee ownership. It seems that up until 1995 all we ESOP and employee ownership advocates ever did was fight anti-ESOP ideas that were originating in the Committee. I am proud to see under the leadership of Chairman ARCHER that view of ESOPs and employee ownership change, as evidenced by the expansion of the deduction of dividends paid on ESOP stock that is included in this bill.

And that motivates me to note that when the Clinton Administration put forth its tax recommendations for fiscal year 2000, once

again we had a proposal to limit ESOPs, to take away a tax incentive for employee ownership. The Administration basically proposed to repeal the 1997 incentive for Subchapter S corporations to have ESOPs, and proposed a retroactive, unfathomable system of taxation for S corporations with ESOPs. As a Member who since 1990 has introduced legislation to allow S corporations to sponsor ESOPs, I am pleased that the Committee rejected this anti-ESOP Administration proposal. The S corporation ESOP reform finally became law in 1996 and was perfected in 1997.

So, you can understand my concern when I saw earlier this year the Administration basically trying to unravel a piece of legislation in which I have had such a long-standing interest.

I do take note that the pending tax legislation in the other body, which perfected the S corporation ESOP law in 1997, has a provision to ensure that the 1997 law is not used by film-flam operators to create tax-favored S corporation ESOPs that are not really spreading equity ownership among employees of a bona fide business operation. Having a great interest in this area, I would hope that the Committee, and those who go to conference with the other body on the "Financial Freedom Act," would take a serious look that the anti-abuse provision in the other body's bill. Based on my knowledge of that anti-abuse proposal, it would resolve any unintended consequences of our 1996 and 1997 laws to ensure employees of S corporations can participate in ownership through an ESOP.

Again, I am pleased to see in the bill before us today the positive leadership taken by Chairman ARCHER and the majority of the Committee for ESOPs and employee ownership.

Mr. PHELPS. Mr. Speaker, I rise today in opposition to the massive and risky tax cut measure before us today. I urge my colleagues to support Representative TANNER's motion to recommit the bill to Committee, where it can be improved. Should that motion fail, we must reject this irresponsible bill.

The Leadership's bill eagerly spends a surplus that may never materialize. It commits almost the entire non-Social Security surplus to tax cuts, ignoring other critical needs like reducing our \$5.6 trillion national debt. It jeopardizes funding for education, veterans' benefits, agriculture and other basic programs which will have to endure huge cuts over the next ten years if these tax provisions are enacted. It spends hundreds of billions of dollars that I had hoped we would use instead to reform and strengthen Medicare and provide a prescription drug benefit, making it extremely unlikely that Medicare solvency can be ensured without slashing benefits or increasing costs for our senior citizens.

The bill also directs two-thirds of its tax cut benefits to the wealthiest 10% of Americans, and close to half of the cuts would benefit the richest 1% of taxpayers with incomes exceeding \$300,000. And although the price tag attached to this bill is staggering enough, it pales in comparison to the costs that will result once all of its provisions are in full effect a decade from now. From 2010 to 2019, this tax package would cost the Treasury \$2.8 trillion—several times the initial cost of the bill, and a burden that cannot possibly be borne while maintaining adequate funding for domestic programs and continuing to pay down our debt.

Like many of my colleagues, I support certain provisions in the Leadership's bill, including in particular the phase-out of the estate tax and the elimination of the marriage penalty. In fact, I am a co-sponsor of stand-alone bills that would accomplish both of these goals. But I simply cannot ignore this reckless and dangerous use of a budget surplus that should be divided among several, equally important needs, rather than snatched up before it even exists and lavished on the wealthiest Americans at the expense of programs that benefit our working families and elderly.

Due to some of these same concerns, I will also vote against the Democratic substitute. Although this alternative is a more responsible and targeted approach, it still makes the dangerous assumption that a large surplus is guaranteed for the next ten years and beyond. If this does not prove to be the case, we will all suffer when our debt continues to spiral out of control, funding is no longer available for some of the most basic federal programs, and the solvency of Social Security and Medicare becomes a goal that is no longer in reach.

The "yea" vote I cast today will be for Representative TANNER's motion to recommit this bill to the Ways and Means Committee. The motion mirrors the fundamental principles of the Blue Dog budget that I, along with a majority of Democrats and 26 Republicans, supported earlier in the year. This motion changes none of the specific provisions in the majority's bill. Instead, it simply requires the Committee to reduce the overall tax cut to one-quarter of the on-budget surplus and to create a Debt Reduction Account to ensure that half of the on-budget surplus is preserved for reducing our debt. Altering the bill in this way would ensure that when there is a surplus, there will also be a generous tax cut. But it will also allow us to be secure in the knowledge that our debt will continue to be reduced and that our children and grandchildren will not have to shoulder the burden of our recklessness.

I consider myself extremely fortunate to have entered Congress at a time when the tough choices made by my colleagues and predecessors who balanced the budget in 1997 are beginning to yield tangible results. I now consider it my duty to maintain the fiscal responsibility that led us to this point and ensure that we do not recreate massive deficits like the ones we've just escaped from. We all want to reward hard-working American families by returning some of their tax dollars, but I cannot in good conscience do this at the expense of our future fiscal health. Therefore, Mr. Speaker, I will support the motion to recommit because I believe Americans deserve a responsible tax cut when we are sure we have the money to pay for it. But I will vote against H.R. 2488 because I also believe Americans deserve a balanced federal budget, a solvent Medicare and Social Security system, and the knowledge that the programs and services they depend on today will still be there tomorrow.

Mr. STARK. Mr. Speaker, I opposed the Republican tax bill in Committee and I oppose it today because it will force, in the near future, massive, destructive cuts in Medicare, and it prevents us from improving Medicare with a modest prescription drug benefit.

By reducing the tax cut by about 40%, we can extend the life of the Medicare Trust Fund well into the retirement of the Baby Boom generation, from 2015 to 2027. We can also make

Medicare a modern health care program by covering pharmaceuticals which reduce the need for hospitalizations and which provide quality, preventive care.

If we don't use these resources to extend the life of Medicare, but instead pass this tax cut, we are voting for future massive cuts in benefits to seniors and the disabled, or for massive, crippling cuts to hospitals, nursing homes, and home health agencies—or for a massive future tax increase at a time when the economy may not be able to handle such an increase.

The choice seems obvious: save resources for Medicare today, or face impossible choices in the future.

When we know with absolute certainty that Medicare will need major new resources in the near future, do we want to give away revenues in a tax cut, largely to the rich, that could prevent this future crisis?

Workers per Medicare Beneficiary will fall from 1998's 3.9 to 2.3 workers per beneficiary in 2030. We must make it easier now for those fewer workers of the year 2030 to pay taxes to support retirees and the disabled. That means dedicating revenues now (by retiring debt).

Other options for extending the life of the Hospital Trust Fund are unacceptable. The Medicare Hospital Trust Fund runs out of money in 2015. "To bring the HI program into actuarial balance, over just the next 25 years under the Trustees' intermediate assumptions, would require either that income [payroll taxes] be increased by 11% or that income [payroll taxes] be increased by 12 percent."

By voting not to save 15% of the surplus to HI, thus extending the Trust Fund to 2027, Members are in effect voting for additional major hospital cuts or future tax increases.

Republican Members of Ways and Means have sponsored or cosponsored many Medicare spending bills that will cost tens of billions over the next 10 years. If they don't support saving some money for Medicare, supporting these Medicare bills isn't real—it is hypocrisy. Mr. FOLEY is on 9 bills including a major hospital outpatient payment relief bill. Mr. HAYWORTH has 4, Mr. WATKINS has gone to bat for the chiropractors and would spend billions more. Mr. MCINNIS would spend billions more. Mr. RAMSTAD is supporting 6 bills that would spend billions, Mr. ENGLISH 11, Mr. CAMP 6, and Mr. NUSSLE, leader of the rural caucus, has 7 spending bills that would cost billions. You all are basically saying you don't really want to do any of those spending bills or those bills to undo the BBA, you just want tax cuts.

Can't shift more costs to seniors and disabled. Medicare is already one of the lowest retiree benefit plans in the industrialized world and worth less than the value of the average private insurance/employer plan. (That's why we need to add a prescription drug benefit.) Costs are already being shifted to seniors because of that Balanced Budget Act. We can't shift more.

Mr. CRANE. Mr. Speaker, I rise in strong support of H.R. 2488, the Financial Freedom Act of 1999. I would like to commend our Ways and Means Committee Chairman BILL ARCHER for this fine product of his hard labors.

Thanks to the fiscal discipline of the Republican majority in Congress, we have a budget surplus for the first time in a generation. That surplus money belongs to the American tax-

payers, and we are returning it to them in the form of tax relief.

While some of my Democrat colleagues are suggesting this is not the time for tax cuts, I would tell them that I disagree. More money is going to the government, as a share of the total economy, than at any point since World War II. Americans are spending more on their federal, state and local taxes than they spend even on food, shelter and clothing combined. Taxpayers need a break and that's what this Republican tax cut bill will give them.

According to the Congressional Budget Office, we expect to see \$996 billion—nearly one trillion dollars—in budget surpluses after we set aside Social Security and Medicare surpluses. While some are suggesting that we put more aside for debt reduction or "other needs", I know from my long experience in Washington that if you leave money lying around this town, someone will find a way to spend it. I believe we should return it to the American taxpayers.

The Financial Freedom Act provides tax relief for all Americans. It starts off with a 10 percent across-the-board individual tax rate cut. In addition, the bill provides marriage penalty relief, pension reform as well as incentives for savings and to make health care and long-term care more affordable. The bill also includes ideas that I have worked for years to advance—reductions in the capital gains tax and the abolition of the estate, or what I call the "death", tax. H.R. 2488 will also make tax time less complicated as it eventually abolishes the alternative minimum tax on individuals and businesses.

I am particularly grateful that some items that I had been working on were included in this bill. For example, the bill will lower the capital gains tax on qualified settlement funds used to pay the beneficiaries of class action law suits, such as the one established for those suffering from asbestos-related illnesses. H.R. 2488 also allows life insurance companies to file a consolidated tax return with an affiliated group of non-life insurance companies. This will go a long way to the financial modernization goals this body has supported. I have also been able to include a provision to encourage more foreign investment in U.S. mutual funds by removing the U.S. tax code as a penalty to investors from overseas.

While there are some provisions I hoped to have included in this bill, I look forward to the continuation of the process so that I may have an opportunity to address those other issues.

I urge my colleagues to support this bill so that we can get about the work of providing much-needed tax relief to the American people.

The SPEAKER pro tempore (Mr. THORNBERRY). All time for general debate has expired.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. RANGEL

Mr. RANGEL. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Part B amendment in the nature of a substitute offered by Mr. RANGEL:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reduction Act of 1999".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.  
Sec. 2. Tax reductions contingent on social security and medicare solvency certifications.

TITLE I—TAX RELIEF FOR FAMILIES

Sec. 101. Marriage penalty relief.  
Sec. 102. Nonrefundable personal credits fully allowed against regular tax liability and minimum tax liability.  
Sec. 103. Increase in child tax credit.  
Sec. 104. Deduction of State and local general sales taxes in lieu of State and local income taxes.

TITLE II—INCENTIVES FOR EDUCATION

Sec. 201. Expansion of incentives for public schools.  
Sec. 202. Extension of exclusion for employer-provided educational assistance; exclusion to apply to assistance for graduate education.

TITLE III—INCENTIVES FOR HEALTH CARE AND LONG-TERM CARE

Sec. 301. Long-term care tax credit.  
Sec. 302. Deduction for 100 percent of health insurance costs of self-employed individuals.

TITLE IV—PERMANENT EXTENSION OF CERTAIN EXPIRING PROVISIONS

Sec. 401. Research credit.  
Sec. 402. Work opportunity and welfare-to-work credits.  
Sec. 403. Subpart F exemption for active financing income.  
Sec. 404. Expensing of environmental remediation costs.

TITLE V—COMMUNITY DEVELOPMENT INITIATIVES

Sec. 501. Increase in State ceiling on low-income housing credit.  
Sec. 502. New markets tax credit.  
Sec. 503. Credit to holders of Better America Bonds.

TITLE VI—SMALL BUSINESS INCENTIVES

Sec. 601. Acceleration of \$1,000,000 estate tax exclusion.  
Sec. 602. Increase in expense treatment for small businesses.

TITLE VII—PENSION PROVISIONS

Sec. 701. Treatment of multiemployer plans under section 415.  
Sec. 702. Actuarial reduction only for benefits beginning before age 62 in case of benefits under multiemployer plans.

TITLE VIII—REVENUE OFFSETS

Sec. 801. Returns relating to cancellations of indebtedness by organizations lending money.  
Sec. 802. Extension of Internal Revenue Service user fees.  
Sec. 803. Limitations on welfare benefit funds of 10 or more employer plans.  
Sec. 804. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.  
Sec. 805. Controlled entities ineligible for REIT status.

- Sec. 806. Treatment of gain from constructive ownership transactions.
- Sec. 807. Transfer of excess defined benefit plan assets for retiree health benefits.
- Sec. 808. Modification of installment method and repeal of installment method for accrual method taxpayers.
- Sec. 809. Limitation on use of nonaccrual experience method of accounting.
- Sec. 810. Exclusion of like-kind exchange property from nonrecognition treatment on the sale of a principal residence.
- Sec. 811. Disallowance of noneconomic tax attributes.

**TITLE IX—NATIONAL COMMISSION ON TAX REFORM AND SIMPLIFICATION**

- Sec. 901. Establishment.
- Sec. 902. Functions.
- Sec. 903. Administration.
- Sec. 904. General.

**SEC. 2. TAX REDUCTIONS CONTINGENT ON SOCIAL SECURITY AND MEDICARE SOLVENCY CERTIFICATIONS.**

(a) IN GENERAL.—Notwithstanding any other provision of this Act, no provision of this Act (or amendment made thereby) shall take effect until there is—

- (1) a social security certification,
- (2) a Medicare certification, and
- (3) a balanced budget certification.

(b) EXTENSION OF EXPIRING PROVISIONS AND REVENUE OFFSETS NOT AFFECTED.—

(1) IN GENERAL.—Except as provided in paragraph (2), sections 102, 202, title IV, and title VIII shall take effect without regard to the provisions of subsection (a).

(2) ONLY 2-YEAR EXTENSION OF CERTAIN PROVISIONS IF NO SOLVENCY AND BUDGET DETERMINATIONS.—

(A) IN GENERAL.—If, as of January 1, 2002, all of the certifications under subsection (a) have not been made—

(i) section 26 of the Internal Revenue Code of 1986 shall be applied to taxable years beginning during the suspension period without regard to the amendment made by section 102,

(ii) section 127 of such Code shall not apply with respect to courses beginning during the suspension period,

(iii) sections 41 and 198 of such Code shall not apply to amounts paid or incurred during the suspension period,

(iv) sections 51 and 51A of such Code shall not apply to individuals who begin work for the employer during the suspension period, and

(v) sections 953(e) and 954(h) of such Code shall not apply to taxable years beginning during the suspension period.

(B) SUSPENSION PERIOD.—For purposes of subparagraph (A), the suspension period is the period beginning on January 1, 2002, and ending on the earliest date that all of the certifications under subsection (a) have been made.

(c) DEFINITIONS.—For purposes of this subsection—

(1) SOCIAL SECURITY SOLVENCY CERTIFICATION.—The term “social security solvency certification” means a certification by the Board of Trustees of the Social Security Trust Funds that the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are in actuarial balance for the 75-year period utilized in the most recent annual report of such Board of Trustees pursuant to section 201(c)(2) of the Social Security Act (42 U.S.C. 401(c)(2)).

(2) MEDICARE SOLVENCY CERTIFICATION.—For purposes of this subsection, the term “Medicare solvency certification” means a certification by the Board of Trustees of the

Federal Hospital Insurance Trust Fund that such Trust Fund is in actuarial balance until the year 2027.

(3) BALANCED BUDGET CERTIFICATION.—There is a balanced budget certification if the Director of the Office of Management and Budget certifies that the tax reductions made by this Act will not create an on-budget deficit for any fiscal year in the period 2000 through 2009 after taking into account non-Social-Security deficit amounts necessary for the certifications under paragraphs (1) and (2).

**TITLE I—TAX RELIEF FOR FAMILIES**

**SEC. 101. MARRIAGE PENALTY RELIEF.**

(a) STANDARD DEDUCTION.—

(1) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(A) by striking “\$5,000” in subparagraph (A) and inserting “twice the dollar amount in effect under subparagraph (C) for the taxable year”,

(B) by adding “or” at the end of subparagraph (B),

(C) by striking “in the case of” and all that follows in subparagraph (C) and inserting “in any other case.”, and

(D) by striking subparagraph (D).

(2) TECHNICAL AMENDMENTS.—

(A) Subparagraph (B) of section 1(f)(6) is amended by striking “(other than with” and all that follows through “shall be applied” and inserting “(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied”.

(B) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

“The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).”.

(b) EARNED INCOME CREDIT.—Subsection (a) of section 32 (relating to credit for earned income) is amended by adding at the end the following new paragraph:

“(3) REDUCTION OF MARRIAGE PENALTY.—

“(A) IN GENERAL.—In the case of a joint return, the phaseout amount under this section shall be such amount (determined without regard to this paragraph) increased by \$2,500 (\$2,000 in the case of taxable years beginning during 2000).

“(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the \$2,500 amount contained in subparagraph (A) shall be increased by an amount equal to the product of—

“(i) such dollar amount, and

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(d) PHASEIN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning during 2000—

(1) there shall be taken into account under subparagraph (A) section 63(c)(2) of the Internal Revenue Code of 1986 only one-half of the increase which would (but for this subsection) apply, and

(2) the basic standard deduction for a married individual filing a separate return shall be one-half of the amount applicable under such subparagraph.

**SEC. 102. NONREFUNDABLE PERSONAL CREDITS FULLY ALLOWED AGAINST REGULAR TAX LIABILITY AND MINIMUM TAX LIABILITY.**

(a) IN GENERAL.—Subsection (a) of section 26 (relating to limitation based on amount of tax) is amended to read as follows:

“(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

“(1) the taxpayer’s regular tax liability for the taxable year, and

“(2) the tax imposed for the taxable year by section 55(a).”.

(b) CHILD CREDIT.—Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

**SEC. 103. INCREASE IN CHILD TAX CREDIT.**

(a) IN GENERAL.—Subsection (a) of section 24 (relating to child tax credit), as amended by section 301, is amended by adding at the end the following new sentence:

“In the case of a qualifying child who has not attained age 5 as of the close of the calendar year in which the taxable year of the taxpayer begins, paragraph (1) shall be applied by substituting ‘\$750’ for ‘\$500.’”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

**SEC. 104. DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.**

(a) IN GENERAL.—Subsection (b) of section 164 is amended by adding at the end thereof the following new paragraph:

“(5) GENERAL SALES TAXES.—For purposes of subsection (a)—

“(A) ELECTION TO DEDUCT STATE AND LOCAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.—

“(i) IN GENERAL.—At the election of the taxpayer for the taxable year, subsection (a) shall be applied—

“(I) without regard to the reference to State and local income taxes,

“(II) as if State and local general sales taxes were referred to in a paragraph thereof, and

“(III) without regard to the last sentence.

“(B) DEFINITION OF GENERAL SALES TAX.—The term ‘general sales tax’ means a tax imposed at one rate in respect of the sale at retail of a broad range of classes of items.

“(C) SPECIAL RULES FOR FOOD, ETC.—In the case of items of food, clothing, medical supplies, and motor vehicles—

“(i) the fact that the tax does not apply in respect of some or all of such items shall not be taken into account in determining whether the tax applies in respect of a broad range of classes of items, and

“(ii) the fact that the rate of tax applicable in respect of some or all of such items is lower than the general rate of tax shall not be taken into account in determining whether the tax is imposed at one rate.

“(D) ITEMS TAXED AT DIFFERENT RATES.—Except in the case of a lower rate of tax applicable in respect of an item described in subparagraph (C), no deduction shall be allowed under this paragraph for any general sales tax imposed in respect of an item at a rate other than the general rate of tax.

“(E) COMPENSATING USE TAXES.—A compensating use tax in respect of an item shall be treated as a general sales tax. For purposes of the preceding sentence, the term ‘compensating use tax’ means, in respect of any item, a tax which—

“(i) is imposed on the use, storage, or consumption of such item, and

“(ii) is complementary to a general sales tax, but only if a deduction is allowable

under this paragraph in respect of items sold at retail in the taxing jurisdiction which are similar to such item.

“(F) SPECIAL RULE FOR MOTOR VEHICLES.—In the case of motor vehicles, if the rate of tax exceeds the general rate, such excess shall be disregarded and the general rate shall be treated as the rate of tax.

“(G) SEPARATELY STATED GENERAL SALES TAXES.—If the amount of any general sales tax is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer's trade or business) to his seller, such amount shall be treated as a tax imposed on, and paid by, such consumer.

“(H) AMOUNT OF DEDUCTION TO BE DETERMINED UNDER TABLES.—

“(i) IN GENERAL.—The amount of the deduction allowed by this paragraph shall be determined under tables prescribed by the Secretary.

“(ii) REQUIREMENTS FOR TABLES.—The tables prescribed under clause (i) shall reflect the provisions of this paragraph and shall be based on the average consumption by taxpayers on a State-by-State basis, as determined by the Secretary, taking into account filing status, number of dependents, adjusted gross income, and rates of State and local general sales taxation.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

## TITLE II—INCENTIVES FOR EDUCATION

### SEC. 201. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

#### “Subchapter X—Public School Modernization Provisions

“Part I. Credit to holders of qualified public school modernization bonds.

“Part II. Qualified school construction bonds.

“Part III. Incentives for education zones.

#### “PART I—CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS

“Sec. 1400F. Credit to holders of qualified public school modernization bonds.

#### “SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) AMOUNT OF CREDIT.—

“(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified public school modernization bond is 25 percent of the annual credit determined with respect to such bond.

“(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified public school modernization bond is the product of—

“(A) the applicable credit rate, multiplied by

“(B) the outstanding face amount of the bond.

“(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

“(c) LIMITATION BASED ON AMOUNT OF TAX.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

“(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term ‘qualified public school modernization bond’ means—

“(A) a qualified zone academy bond, and

“(B) a qualified school construction bond.

“(2) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—

“(A) March 15,

“(B) June 15,

“(C) September 15, and

“(D) December 15.

Such term includes the last day on which the bond is outstanding.

“(e) OTHER DEFINITIONS.—For purposes of this subchapter—

“(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

“(2) BOND.—The term ‘bond’ includes any obligation.

“(3) STATE.—The term ‘State’ includes the District of Columbia and any possession of the United States.

“(4) PUBLIC SCHOOL FACILITY.—The term ‘public school facility’ shall not include—

“(A) any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, or

“(B) any facility which is not owned by a State or local government or any agency or instrumentality of a State or local government.

“(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

“(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

“(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified public school modernization bond and the entitlement to the credit under this section with respect to such bond. In

case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

“(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

“(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified public school modernization bonds on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

“(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

“(k) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

“(l) TERMINATION.—This section shall not apply to any bond issued after September 30, 2004.

## “PART II—QUALIFIED SCHOOL CONSTRUCTION BONDS

“Sec. 1400G. Qualified school construction bonds.

### “SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.

“(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this subchapter, the term ‘qualified school construction bond’ means any bond issued as part of an issue if—

“(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

“(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

“(3) the issuer designates such bond for purposes of this section, and

“(4) the term of each bond which is part of such issue does not exceed 15 years.

“(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

“(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

“(2) if such issuer is a large local educational agency (as defined in subsection (e)(4)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

“(1) \$11,000,000,000 for 2000,

“(2) \$11,000,000,000 for 2001, and

“(3) except as provided in subsection (f), zero after 2001.

“(d) HALF OF LIMITATION ALLOCATED AMONG STATES.—

“(1) IN GENERAL.—One-half of the limitation applicable under subsection (c) for any calendar year shall be allocated among the States under paragraph (2) by the Secretary.

The limitation amount allocated to a State under the preceding sentence shall be allocated by the State to issuers within such State and such allocations may be made only if there is an approved State application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

“(3) MINIMUM ALLOCATIONS TO STATES.—

“(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

“(i) the amount allocated to such State under this subsection for such year, and

“(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State's minimum percentage of the amount to be allocated under paragraph (1) for the calendar year.

“(B) MINIMUM PERCENTAGE.—A State's minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

“(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

“(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In addition to the amounts otherwise allocated under this subsection, \$200,000,000 for calendar year 2000, and \$200,000,000 for calendar year 2001, shall be allocated by the Secretary of the Interior for purposes of the construction, rehabilitation, and repair of schools funded by the Bureau of Indian Affairs. In the case of amounts allocated under the preceding sentence, Indian tribal governments (as defined in section 7871) shall be treated as qualified issuers for purposes of this subchapter.

“(6) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term ‘approved State application’ means an application which is approved by the Secretary of Education and which includes—

“(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State's needs for public school facilities, including descriptions of—

“(i) health and safety problems at such facilities,

“(ii) the capacity of public schools in the State to house projected enrollments, and

“(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

“(B) a description of how the State will allocate to local educational agencies, or oth-

erwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

“(i) give highest priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

“(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, and

“(iii) ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, and repair in the State that would have occurred in the absence of such allocation.

Any allocation under paragraph (1) by a State shall be binding if such State reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

“(e) HALF OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

“(1) IN GENERAL.—One-half of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year. No qualified school construction bond may be issued by reason of an allocation to a large local educational agency under the preceding sentence unless such agency has an approved local application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

“(3) ALLOCATION OF UNUSED LIMITATION TO STATE.—The amount allocated under this subsection to a large local educational agency for any calendar year may be reallocated by such agency to the State in which such agency is located for such calendar year. Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1).

“(4) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term ‘large local educational agency’ means, with respect to a calendar year, any local educational agency if such agency is—

“(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

“(B) 1 of not more than 25 local educational agencies (other than those described in subparagraph (A)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

“(5) APPROVED LOCAL APPLICATION.—For purposes of paragraph (1), the term ‘approved local application’ means an application which is approved by the Secretary of Education and which includes—

“(A) the results of a recent publicly-available survey (undertaken by the local educational agency or the State with the involvement of school officials, members of the public, and experts in school construction and management) of such agency's needs for public school facilities, including descriptions of—

“(i) the overall condition of the local educational agency's school facilities, including health and safety problems,

“(ii) the capacity of the agency's schools to house projected enrollments, and

“(iii) the extent to which the agency's schools offer the physical infrastructure needed to provide a high-quality education to all students,

“(B) a description of how the local educational agency will use its allocation under this subsection to address the needs identified under subparagraph (A), and

“(C) a description of how the local educational agency will ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, or repair in the locality that would have occurred in the absence of such allocation.

A rule similar to the rule of the last sentence of subsection (d)(6) shall apply for purposes of this paragraph.

“(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(1) the amount allocated under subsection (d) to any State, exceeds

“(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation,

the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (d)(5) or (e).

“(g) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of subsection (a)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

“(2) BINDING COMMITMENT REQUIREMENT.—Paragraph (1) shall apply to an issue only if, as of the date of issuance, there is a reasonable expectation that—

“(A) at least 10 percent of the proceeds of the issue will be spent within the 6-month period beginning on such date for the purpose for which such issue was issued, and

“(B) the remaining proceeds of the issue will be spent with due diligence for such purpose.

“(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (a)(1) and paragraph (1) of this subsection.

### “PART III—INCENTIVES FOR EDUCATION ZONES

“Sec. 1400H. Qualified zone academy bonds.

“Sec. 1400I. Corporate contributions to specialized training centers.

### “SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.

“(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this subchapter—

“(1) IN GENERAL.—The term ‘qualified zone academy bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

“(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

“(C) the issuer—

“(i) designates such bond for purposes of this section,

“(ii) certifies that it has written assurances that the private business contribution

requirement of paragraph (2) will be met with respect to such academy, and

“(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

“(D) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1400G(g) shall apply for purposes of paragraph (1).

“(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

“(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term ‘qualified contribution’ means any contribution (of a type and quality acceptable to the local educational agency) of—

“(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

“(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

“(iii) services of employees as volunteer mentors,

“(iv) internships, field trips, or other educational opportunities outside the academy for students, or

“(v) any other property or service specified by the local educational agency.

“(3) QUALIFIED ZONE ACADEMY.—The term ‘qualified zone academy’ means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

“(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

“(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

“(C) the comprehensive education plan of such public school or program is approved by the local educational agency, and

“(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

“(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

“(4) QUALIFIED PURPOSE.—The term ‘qualified purpose’ means, with respect to any qualified zone academy—

“(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

“(B) acquiring the land on which such facility is to be constructed with part of the proceeds of such issue,

“(C) providing equipment for use at such academy,

“(D) developing course materials for education to be provided at such academy, and

“(E) training teachers and other school personnel in such academy.

“(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

“(A) \$400,000,000 for 1998,

“(B) \$400,000,000 for 1999,

“(C) \$1,000,000,000 for 2000,

“(D) \$1,400,000,000 for 2001, and

“(E) except as provided in paragraph (3), zero after 2001.

“(2) ALLOCATION OF LIMITATION.—

“(A) ALLOCATION AMONG STATES.—

“(i) 1998 AND 1999 LIMITATIONS.—The national zone academy bond limitations for calendar years 1998 and 1999 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

“(ii) LIMITATION AFTER 1999.—The national zone academy bond limitation for any calendar year after 1999 shall be allocated by the Secretary among the States in the manner prescribed by section 1400G(d); except that in making the allocation under this clause, the Secretary shall take into account—

“(I) Basic Grants attributable to large local educational agencies (as defined in section 1400G(e)).

“(II) the national zone academy bond limitation.

“(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State education agency to qualified zone academies within such State.

“(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

“(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(A) the limitation amount under this subsection for any State, exceeds

“(B) the amount of bonds issued during such year which are designated under subsection (a) (or the corresponding provisions of prior law) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess.

“**SEC. 1400I. CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.**”

“(a) GENERAL RULE.—For purposes of section 38, in the case of a corporation, the specialized training center credit determined under this section is an amount equal to 50 percent of the amount of the designated qualified contributions made by the taxpayer during the taxable year to a specialized training center.

“(b) DEFINITIONS.—For purposes of this section—

“(1) SPECIALIZED TRAINING CENTER.—The term ‘specialized training center’ means any qualified zone academy (as defined in section 1400H(a)(3))—

“(A) which is located in an empowerment zone or enterprise community, or

“(B) which is located in proximity to such a zone or community and a significant number of the students attending such academy have their principal place of abode in such zone or community.

“(2) DESIGNATED QUALIFIED CONTRIBUTIONS.—The term ‘designated qualified contribution’ means any contribution—

“(A) which is made pursuant to an agreement under which the taxpayer participates in the design of the academic program of the specialized training center, and

“(B) which is designated under subsection (c).

“(c) DESIGNATION OF CONTRIBUTIONS.—

“(1) LIMITATION ON AMOUNT DESIGNATED.—The maximum amount of contributions made which may be designated under this subsection with respect to all specialized training centers located an empowerment zone or enterprise community shall not exceed—

“(A) \$8,000,000 in the case of an empowerment zone, and

“(B) \$2,000,000 in the case of an enterprise community.

“(2) DESIGNATIONS.—Designations under this subsection shall be made (in consultation with the local educational agency) by the local government agency responsible for implementing the strategic plan described in section 1391(f)(2) for the empowerment zone or enterprise community.

“(d) VALUE OF CONTRIBUTIONS.—The amount of any designated qualified contribution which may be taken into account under this section shall be—

“(1) the amount of such contribution which would be allowed as a deduction under section 170 without regard to section 280C(d), or

“(2) in the case of a contribution of services performed on the premises of a specialized training center by an employee of the taxpayer, the amount of wages (as defined in section 3306(b) but without regard to any dollar limitation contained in such section) paid by the taxpayer for such services.”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 1400F(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1400F(d)(2)).

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

“(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.”

(c) CONFORMING AMENDMENTS RELATED TO CREDIT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.—

(1) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

“(d) CREDIT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.—No deduction shall be allowed for that portion of the designated qualified contributions (as defined in section 1400I(b)) made during the taxable year which is equal to the credit determined for the taxable year under section 1400I(a). Paragraph (3) of subsection (b) shall apply for purposes of this subsection.”

(2) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(A) Section 38(b) is amended—

(i) by striking “plus” at the end of paragraph (11),

(ii) by striking the period at the end of paragraph (12) and inserting “, plus”, and

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

“(13) in the case of a corporation, the specialized training center credit determined under section 1400I(a).”

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

“(9) NO CARRYBACK OF SECTION 1400I CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 1400I may be carried back to a taxable year beginning before January 1, 2000.”

(d) OTHER CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 is amended by striking part IV, by redesignating part V as part IV, and by redesignating section 1397F as section 1397E.

(2) The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter X. Public school modernization provisions.”

(3) The table of parts of subchapter U of chapter 1 is amended by striking the last 2 items and inserting the following item:

“Part IV. Regulations.”

(e) APPLICATION OF CERTAIN LABOR STANDARDS ON CONSTRUCTION PROJECTS FINANCED UNDER PUBLIC SCHOOL MODERNIZATION PROGRAM.—Section 439 of the General Education Provisions Act (relating to labor standards) is amended—

(1) by inserting “(a)” before “All laborers and mechanics”, and

(2) by adding at the end the following:

“(b)(1) For purposes of this section, the term ‘applicable program’ also includes the qualified zone academy bond provisions enacted by section 226 of the Taxpayer Relief Act of 1997 and the program established by section 2 of the Public School Modernization Act of 1999.

“(2) A State or local government participating in a program described in paragraph (1) shall—

“(A) in the awarding of contracts, give priority to contractors with substantial numbers of employees residing in the local education area to be served by the school being constructed; and

“(B) include in the construction contract for such school a requirement that the contractor give priority in hiring new workers to individuals residing in such local education area.

“(3) In the case of a program described in paragraph (1), nothing in this subsection or subsection (a) shall be construed to deny any tax credit allowed under such program. If amounts are required to be withheld from contractors to pay wages to which workers are entitled, such amounts shall be treated as expended for construction purposes in determining whether the requirements of such program are met.”

(f) EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

(1) IN GENERAL.—Section 134 of the Workforce Investment Act of 1998 (29 U.S.C. 2864) is amended by adding at the end the following:

“(f) LOCAL EMPLOYMENT AND TRAINING ACTIVITIES RELATING TO CONSTRUCTION OR RECONSTRUCTION OF PUBLIC SCHOOL FACILITIES.—

“(1) IN GENERAL.—In order to provide training services related to construction or reconstruction of public school facilities receiving funding assistance under an applicable program, each State shall establish a specialized program of training meeting the following requirements:

“(A) The specialized program provides training for jobs in the construction industry.

“(B) The program is designed to provide trained workers for projects for the construction or reconstruction of public school facilities receiving funding assistance under an applicable program.

“(C) The program is designed to ensure that skilled workers (residing in the area to be served by the school facilities) will be available for the construction or reconstruction work.

“(2) COORDINATION.—The specialized program established under paragraph (1) shall be integrated with other activities under this Act, with the activities carried out under the National Apprenticeship Act of 1937 by the State Apprenticeship Council or through the Bureau of Apprenticeship and Training in the Department of Labor, as appropriate, and with activities carried out under the Carl D. Perkins Vocational and Technical Education Act of 1998. Nothing in this subsection shall be construed to require services duplicative of those referred to in the preceding sentence.

“(3) APPLICABLE PROGRAM.—In this subsection, the term ‘applicable program’ has the meaning given the term in section 439(b) of the General Education Provisions Act (relating to labor standards).”

(2) STATE PLAN.—Section 112(b)(17)(A) of the Workforce Investment Act of 1998 (29 U.S.C. 2822(b)(17)(A)) is amended—

(A) in clause (iii), by striking “and” at the end;

(B) by redesignating clause (iv) as clause (v); and

(C) by inserting after clause (iii) the following:

“(iv) how the State will establish and carry out a specialized program of training under section 134(f); and”

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to obligations issued after December 31, 1999.

(2) CREDIT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED TRAINING CENTERS.—Section 1400I of the Internal Revenue Code of 1986 (as added by this section) shall apply to taxable years beginning after December 31, 1999.

(3) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—In the case of bonds to which section 1397E of the Internal Revenue Code of 1986 (as in effect before the date of the enactment of this Act) applies, the limitation of such section to eligible taxpayers (as defined in subsection (d)(6) of such section) shall not apply after the date of the enactment of this Act.

(4) APPLICATION OF LABOR STANDARDS; TRAINING PROGRAM.—The amendments made by subsections (e) and (f) shall take effect on the date of the enactment of this Act.

**SEC. 202. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE; EXCLUSION TO APPLY TO ASSISTANCE FOR GRADUATE EDUCATION.**

(a) PERMANENT EXTENSION.—Subsection (d) of section 127 is hereby repealed.

(b) EXCLUSION TO APPLY TO GRADUATE STUDENTS.—The last sentence of section 127(c)(1) is amended by striking “hobbies” and all that follows and inserting “hobbies.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to courses beginning after May 31, 2000.

**TITLE III—INCENTIVES FOR HEALTH CARE AND LONG-TERM CARE**

**SEC. 301. LONG-TERM CARE TAX CREDIT.**

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed

by this chapter for the taxable year an amount equal to the sum of—

“(1) \$500 multiplied by the number of qualifying children of the taxpayer, plus

“(2) \$1,000 multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.”

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

“(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

“(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking “CHILD” and inserting “FAMILY CARE”.

(B) The heading for section 24 is amended to read as follows:

“**SEC. 24. FAMILY CARE CREDIT.**”

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

“**Sec. 24. Family care credit.**”

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFYING CHILD.—

“(A) IN GENERAL.—The term ‘qualifying child’ means any individual if—

“(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

“(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

“(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term ‘qualifying child’ shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(2) APPLICABLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘applicable individual’ means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

“(i) which is at least 180 consecutive days, and

“(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

“(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

“(i) The individual is at least 6 years of age and—

“(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

“(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

“(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

“(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

“(3) ELIGIBLE CAREGIVER.—

“(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

“(i) The taxpayer.

“(ii) The taxpayer's spouse.

“(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

“(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

“(v) An individual who would be described in clause (iii) for the taxable year if—

“(I) the requirements of clause (iv) are met with respect to the individual, and

“(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

“(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer's spouse, is a member of the taxpayer's household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer's household for the entire taxable year.

“(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

“(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

“(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

“(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals

filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).”.

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: “No credit shall be allowed under this section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year.”.

(2) ASSESSMENT.—Section 6213(g)(2)(I) is amended—

(A) by inserting “or physician identification” after “correct TIN”, and

(B) by striking “child” and inserting “family care”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

**SEC. 302. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.**

(a) IN GENERAL.—Paragraph (1) of section 162(l) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

**TITLE IV—PERMANENT EXTENSION OF CERTAIN EXPIRING PROVISIONS**

**SEC. 401. RESEARCH CREDIT.**

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 41 is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(A) by striking “1.65 percent” and inserting “2.65 percent”,

(B) by striking “2.2 percent” and inserting “3.2 percent”, and

(C) by striking “2.75 percent” and inserting “3.75 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

**SEC. 402. WORK OPPORTUNITY AND WELFARE-TO-WORK CREDITS.**

(a) WORK OPPORTUNITY CREDIT.—Subsection (c) of section 51 is amended by striking paragraph (4).

(b) WELFARE-TO-WORK CREDIT.—Section 51A is amended by striking subsection (f).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after June 30, 1999.

**SEC. 403. SUBPART F EXEMPTION FOR ACTIVE FINANCING INCOME.**

(a) EXEMPT INSURANCE INCOME.—Section 953(e) is amended by striking paragraph (10) and by redesignating paragraph (11) as paragraph (10).

(b) FOREIGN PERSONAL HOLDING COMPANY INCOME.—Section 954(h) is amended by striking paragraph (9).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

**SEC. 404. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.**

Section 198 is amended by striking subsection (h).

**TITLE V—COMMUNITY DEVELOPMENT INITIATIVES**

**SEC. 501. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.**

(a) IN GENERAL.—Clause (i) of section 42(h)(3)(C) is amended by striking “\$1.25” and inserting “\$1.75”.

(b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

“(H) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of a calendar year after 2000, the dollar amount contained in subparagraph (C)(i) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 1999’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any increase under clause (i) is not a multiple of 5 cents, such increase shall be rounded to the next lowest multiple of 5 cents.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1999.

**SEC. 502. NEW MARKETS TAX CREDIT.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following new section:

**“SEC. 45D. NEW MARKETS TAX CREDIT.**

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—For purposes of section 38, in the case of a taxpayer who holds a qualified equity investment on a credit allowance date of such investment which occurs during the taxable year, the new markets tax credit determined under this section for such taxable year is an amount equal to 6 percent of the amount paid to the qualified community development entity for such investment at its original issue.

“(2) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means, with respect to any qualified equity investment—

“(A) the date on which such investment is initially made, and

“(B) each of the 4 anniversary dates of such date thereafter.

“(b) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified equity investment’ means any equity investment in a qualified community development entity if—

“(A) such investment is acquired by the taxpayer at its original issue (directly or through an underwriter) solely in exchange for cash,

“(B) substantially all of such cash is used by the qualified community development entity to make qualified low-income community investments, and

“(C) such investment is designated for purposes of this section by the qualified community development entity.

Such term shall not include any equity investment issued by a qualified community development entity more than 5 years after the date that such entity receives an allocation under subsection (f). Any allocation not used within such 5-year period may be reallocated by the Secretary under subsection (f).

“(2) LIMITATION.—The maximum amount of equity investments issued by a qualified

community development entity which may be designated under paragraph (1)(C) by such entity shall not exceed the portion of the limitation amount allocated under subsection (f) to such entity.

“(3) SAFE HARBOR FOR DETERMINING USE OF CASH.—The requirement of paragraph (1)(B) shall be treated as met if at least 85 percent of the aggregate gross assets of the qualified community development entity are invested in qualified low-income community investments.

“(4) TREATMENT OF SUBSEQUENT PURCHASERS.—The term ‘qualified equity investment’ includes any equity investment which would (but for paragraph (1)(A)) be a qualified equity investment in the hands of the taxpayer if such investment was a qualified equity investment in the hands of a prior holder.

“(5) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this subsection.

“(6) EQUITY INVESTMENT.—The term ‘equity investment’ means—

“(A) any stock in a qualified community development entity which is a corporation, and

“(B) any capital interest in a qualified community development entity which is a partnership.

“(C) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified community development entity’ means any domestic corporation or partnership if—

“(A) the primary mission of the entity is serving, or providing investment capital for, low-income communities or low-income persons,

“(B) the entity maintains accountability to residents of low-income communities through representation on governing or advisory boards or otherwise, and

“(C) the entity is certified by the Secretary for purposes of this section as being a qualified community development entity.

“(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—The requirements of paragraph (1) shall be treated as met by—

“(A) any specialized small business investment company (as defined in section 1044(c)(3)), and

“(B) any community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)).

“(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified low-income community investment’ means—

“(A) any equity investment in, or loan to, any qualified active low-income community business,

“(B) the purchase from another community development entity of any loan made by such entity which is a qualified low-income community investment if the amount received by such other entity from such purchase is used by such other entity to make qualified low-income community investments,

“(C) financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and

“(D) any equity investment in, or loan to, any qualified community development entity if substantially all of the investment or loan is used by such entity to make qualified low-income community investments described in subparagraphs (A), (B), and (C).

“(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—

“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘qualified active low-income community business’ means, with re-

spect to any taxable year, any corporation or partnership if for such year—

“(i) at least 50 percent of the total gross income of such entity is derived from the active conduct of a qualified business within any low-income community,

“(ii) a substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any low-income community,

“(iii) a substantial portion of the services performed for such entity by its employees are performed in any low-income community,

“(iv) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

“(v) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to non-qualified financial property (as defined in section 1397B(e)).

“(B) PROPRIETORSHIP.—Such term shall include any business carried on by an individual as a proprietor if such business would meet the requirements of subparagraph (A) were it incorporated.

“(C) PORTIONS OF BUSINESS MAY BE QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The term ‘qualified active low-income community business’ includes any trades or businesses which would qualify as a qualified active low-income community business if such trades or businesses were separately incorporated.

“(3) QUALIFIED BUSINESS.—For purposes of this subsection, the term ‘qualified business’ has the meaning given to such term by section 1397B(d); except that—

“(A) in lieu of applying paragraph (2)(B) thereof, the rental to others of real property located in any low-income community shall be treated as a qualified business if there are substantial improvements located on such property,

“(B) paragraph (3) thereof shall not apply, and

“(C) such term shall not include any business if a significant portion of the equity interests in such business are held by any person who holds a significant portion of the equity investments in the community development entity.

“(e) LOW-INCOME COMMUNITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘low-income community’ means any population census tract if—

“(A) the poverty rate for such tract is at least 20 percent, or

“(B) (i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

“(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

“(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

“(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

“(1) IN GENERAL.—There is a new markets tax credit limitation of \$1,200,000,000 for each of calendar years 2000 through 2004.

“(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

“(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

“(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

“(1) IN GENERAL.—If, at any time during the 5-year period beginning on the date of the original issue of a qualified equity investment in a qualified community development entity, there is a recapture event with respect to such investment, then the tax imposed by this chapter for the taxable year in which such event occurs shall be increased by the credit recapture amount.

“(2) CREDIT RECAPTURE AMOUNT.—For purposes of paragraph (1), the credit recapture amount is an amount equal to the sum of—

“(A) the aggregate decrease in the credits allowed to the taxpayer under section 38 for all prior taxable years which would have resulted if no credit had been determined under this section with respect to such investment, plus

“(B) interest at the overpayment rate established under section 6611 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

No deduction shall be allowed under this chapter for interest described in subparagraph (B).

“(3) RECAPTURE EVENT.—For purposes of paragraph (1), there is a recapture event with respect to an equity investment in a qualified community development entity if—

“(A) such entity ceases to be a qualified community development entity,

“(B) the proceeds of the investment cease to be used as required of subsection (b)(1)(B), or

“(C) such investment is redeemed by such entity.

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.

“(h) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

“(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations—

“(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 103),

“(2) which prevent the abuse of the provisions of this section through the use of related parties,

“(3) which impose appropriate reporting requirements

“(4) which apply the provisions of this section to newly formed entities.”

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 38 is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following new paragraph:

“(14) the new markets tax credit determined under section 45D(a).”

(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

“(10) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2000.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45D may be carried back to a taxable year ending before January 1, 2000.”

(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking “and” at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting “, and”, and by adding at the end the following new paragraph:

“(9) the new markets tax credit determined under section 45D(a).”

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45D. New markets tax credit.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 1999.

**SEC. 503. CREDIT TO HOLDERS OF BETTER AMERICA BONDS.**

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

**“SEC. 30B. CREDIT TO HOLDERS OF BETTER AMERICA BONDS.**

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a Better America Bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) AMOUNT OF CREDIT.—

“(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a Better America Bond is 25 percent of the annual credit determined with respect to such bond.

“(2) ANNUAL CREDIT.—The annual credit determined with respect to any Better America Bond is the product of—

“(A) the applicable credit rate, multiplied by

“(B) the outstanding face amount of the bond.

“(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall

be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

“(c) BETTER AMERICA BOND.—For purposes of this section—

“(1) IN GENERAL.—The term ‘Better America Bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the proceeds of such issue are to be used for any qualified purpose,

“(B) the bond is issued by a State or local government within the jurisdiction of which the qualified purpose of the issue is to be carried out,

“(C) the issuer designates such bond for purposes of this section,

“(D) the term of each bond which is part of such issue does not exceed 15 years,

“(E) the requirements of section 147(f) are met with respect to such issue, and

“(F) except in the case of the proceeds of such issue which are to be used for the qualified purpose described in paragraph (2)(A)(iv), the payment of the principal of such issue is secured by taxes of general applicability imposed by a general purpose governmental unit.

“(2) QUALIFIED PURPOSE.—

“(A) IN GENERAL.—The term ‘qualified purpose’ means any of the following:

“(i) The acquisition of land for use as open space, wetlands, public parks, or greenways, and the provision of visitor facilities (such as campgrounds and hiking or biking trails) for land so used, but only if—

“(I) such land and facilities are to be owned by the issuer or a qualified owner, and

“(II) the initial owner of such land and facilities records pursuant to State law a qualified restrictive covenant with respect to such land and facilities.

“(ii) The remediation of land acquired under clause (i) (or other publicly owned land) to enhance water quality by—

“(I) restoring hydrology or planting trees or other vegetation,

“(II) undertaking reasonable measures to control erosion,

“(III) restoring wetlands, or

“(IV) remediating conditions caused by the prior disposal of toxic or other waste.

“(iii) The acquisition by the issuer or any qualified owner of any restriction on privately owned open land which prevents commercial development and any substantial change in the use or character of the land if such restriction would, if contributed by the owner of the open land to a qualified organization (as defined in section 170(h)(3)), be a qualified conservation contribution (as defined in section 170(h)).

“(iv) The environmental assessment and remediation of real property owned by any State or local government if—

“(I) such property was acquired by such government as a result of being abandoned by the prior owner, and

“(II) such property is located in an area at or on which there has been a release (or threat of release) or disposal of any hazardous substance (as defined in section 198).

“(B) REMEDIATION OF NATIONAL PRIORITIES LISTED SITES NOT QUALIFIED PURPOSE.—Subparagraph (A)(ii) shall not apply to remediation of any site which is on, or proposed for, the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

“(C) QUALIFIED OWNER.—For purposes of this paragraph, the term ‘qualified owner’ means any organization described in section 501(c)(3) whose exempt purpose includes environmental protection.

“(D) QUALIFIED RESTRICTIVE COVENANT.—For purposes of subparagraph (A)(i)(II), the term ‘qualified restrictive covenant’ means, with respect to land or facilities, any covenant which prohibits the person who owns such land or facilities at the end of the term of the bond from selling or otherwise permitting a use of such land or facilities which is not described in subparagraph (A) unless—

“(i) a reasonable period is allowed for a qualified owner to purchase such land or facilities,

“(ii) the purchase price is not greater than the price originally paid in conjunction with the expenditure of bond proceeds, and

“(iii) the purchaser records pursuant to State law a covenant with respect to the purchased land and facilities which protects in perpetuity the use of such land and facilities for a use described in subparagraph (A).

“(3) PUBLIC AVAILABILITY REQUIREMENT, ETC.—

“(A) IN GENERAL.—The term ‘Better America Bond’ shall not include any bond which is part of an issue if—

“(i) any portion of the proceeds of the issue are to be used for any private business use (as defined in section 141(b)(6)), or

“(ii) the payment of the principal of, or the interest on, any portion of such proceeds is (under the terms of such issue or any underlying arrangement) directly or indirectly secured or to be derived as described in subparagraph (A) or (B) of section 141(b)(2).

“(B) EXCEPTION.—Subparagraph (A) shall not apply to proceeds used for a qualified purpose described in paragraph (2)(A)(iv).

“(d) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (c)(1) by any issuer shall not exceed the limitation amount allocated under paragraph (3) for such calendar year to such issuer.

“(2) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national Better America Bond limitation for each calendar year. Such limitation is—

“(A) \$1,900,000,000 for each of calendar years 2000, 2001, 2002, 2003, and 2004, and

“(B) except as provided in paragraph (4), zero after 2004.

“(3) ALLOCATION OF LIMITATION AMONG STATES AND LOCAL GOVERNMENTS.—

“(A) IN GENERAL.—The national Better America Bond limitation for any calendar year shall be allocated by the EPA Administrator to States and local governments having approved applications. As part of the competitive application process, the Environmental Protection Agency should, when possible, allocate such limitation on a per capita basis.

“(B) APPROVED APPLICATION.—For purposes of subparagraph (A), the term ‘approved application’ means an application which is approved by the EPA Administrator and includes such information as the EPA Administrator shall specify.

“(4) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(A) the amount allocated under paragraph (4) to any State or local government, exceeds

“(B) the amount of bonds issued during such year which are designated under subsection (c)(1) pursuant to such allocation, the limitation amount under paragraph (3) for such State or local government for the following calendar year shall be increased by the amount of such excess.

“(e) LIMITATION BASED ON AMOUNT OF TAX.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(f) OTHER DEFINITIONS.—For purposes of this section—

“(1) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—

“(A) March 15,

“(B) June 15,

“(C) September 15, and

“(D) December 15.”

Such term includes the last day on which the bond is outstanding.

“(2) BOND.—The term ‘bond’ includes any obligation.

“(3) STATE.—The term ‘State’ includes the District of Columbia, any possession of the United States, and any Indian tribal government (within the meaning of section 7871).

“(4) LOCAL GOVERNMENT.—The term ‘local government’ means—

“(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

“(B) any combination of political subdivisions described in subparagraph (A) recognized by the EPA Administrator.

“(5) EPA ADMINISTRATOR.—The term ‘EPA Administrator’ means the Administrator of the Environmental Protection Agency.

“(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (e)) and the amount so included shall be treated as interest income.

“(h) SPECIAL RULES RELATING TO ARBITRAGE.—

“(1) IN GENERAL.—A bond shall not be treated as failing to meet the requirements of subsection (c)(1) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued.

“(2) REASONABLE EXPECTATION AND BINDING COMMITMENT REQUIREMENTS.—Paragraph (1) shall apply to an issue only if, as of the date of issuance—

“(A) the issuer reasonably expects that—

“(i) at least 95 percent of the proceeds of the issue will be spent for a qualified purpose within the 3-year period beginning on such date, and

“(ii) property financed with such proceeds will be used for qualified purposes for at least 15 years after being so financed.

“(B) there is a binding commitment with a third party to spend at least 10 percent of the proceeds of the issue for qualified purposes within the 6-month period beginning on such date, and

“(C) the issuer reasonably expects that the remaining proceeds of the issue will be spent with due diligence for qualified purposes.

“(3) EARNINGS ON PROCEEDS.—Any earnings on proceeds during the temporary period shall be treated as proceeds of the issue for purposes of applying subsection (c)(1) and paragraph (1) of this subsection.

“(i) DENIAL OF DEDUCTION FOR ENVIRONMENTAL REMEDIATION EXPENDITURES.—Expenditures financed by any Better America Bond shall not be allowed as a deduction under section 198.

“(j) OTHER SPECIAL RULES.—

“(1) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any Better America Bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“(2) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

“(A) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a Better America Bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

“(B) CERTAIN RULES TO APPLY.—In the case of a separation described in subparagraph (A), the rules of section 1286 shall apply to the Better America Bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

“(3) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a Better America Bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

“(4) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

“(5) REPORTING.—Issuers of Better America Bonds shall submit reports similar to the reports required under section 149(e).

“(k) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF QUALIFIED USE.—

“(1) IN GENERAL.—If any bond which when issued purported to be a Better America Bond ceases to meet the requirements of subsection (c), the issuer shall pay to the United States (at the time required by the Secretary) an amount equal to the aggregate of the credits allowable under this section (determined without regard to subsection (e)) for taxable years ending during the calendar year in which such cessation occurs and the 2 preceding calendar years.

“(2) FAILURE TO PAY.—If the issuer fails to timely pay the amount required by paragraph (1) with respect to any issue, the tax imposed by this chapter on each holder of any bond which is part of such issue shall be increased (for the taxable year of the holder in which such cessation occurs) by the aggregate decrease in the credits allowed under this section to such holder for taxable years beginning in such 3 calendar years which would have resulted solely from denying any credit under this section with respect to such issue for such taxable years.

“(3) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (2) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under paragraph (2) shall not be treated as a tax imposed by this chapter for purposes of determining—

“(i) the amount of any credit allowable under this part, or

“(ii) the amount of the tax imposed by section 55.

“(1) TERMINATION.—This section shall not apply to any bond issued after December 31, 2004.”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON BETTER AMERICA BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 30B(g) and such amounts shall be treated as paid on the credit allowance date (as defined in section 30B(f)(1)).

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

“(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.”

(c) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 30B. Credit to holders of Better America Bonds.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 1999.

(e) GUIDELINES FOR APPLICATIONS.—Not later than January 1, 2000, guidelines specifying the criteria to be used in approving applications under section 30B(d)(3) of the Internal Revenue Code of 1986 (as added by this Act) shall be developed and published by the Administrator of the Environmental Protection Agency in the Federal Register.

#### TITLE VI—SMALL BUSINESS INCENTIVES SEC. 601. ACCELERATION OF \$1,000,000 ESTATE TAX EXCLUSION.

(a) ESTATE TAX CREDIT.—

(1) Subsection (a) of section 2010 (relating to unified credit against estate tax) is amended by striking “the applicable credit amount” and inserting “\$345,800”.

(2) Paragraph (2) of section 2001(c) is amended by striking “\$10,000,000” and all that follows and inserting “\$10,000,000. The amount of the increase under the preceding sentence shall not exceed \$705,000.”

(3)(A) Subparagraph (A) of section 2057(a)(3) is amended by striking “the applicable exclusion amount under section 2010 shall be \$625,000” and inserting “the credit under section 2010 shall be \$202,050”.

(B) Subparagraph (B) of section 2057(a)(3) is amended to read as follows:

“(B) INCREASE IN UNIFIED CREDIT IF DEDUCTION IS LESS THAN \$675,000.—If the deduction allowed by this section is less than \$675,000, the amount of the credit under section 2010 shall be equal to the lesser of \$345,800 or the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is computed were equal to the sum of—

“(i) the excess of \$675,000 over the amount of the deduction allowed, and

“(ii) \$625,000.”

(4) Subparagraph (A) of section 2102(c)(3) is amended by striking “the applicable credit amount in effect under section 2010(c) for the calendar year which includes the date of death” and inserting “\$345,800”.

(5) Paragraph (1) of section 6018(a) is amended by striking “the applicable exclusion amount in effect under section 2010(c) for the calendar year which includes the date of death” and inserting “\$1,000,000”.

(6)(A) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

“(A) \$345,800, or”.

(B) Paragraph (3) of section 6601(j) is amended—

(i) by striking “\$1,000,000” each place it occurs and inserting “\$345,800”, and

(ii) by striking “\$10,000” each place it appears and inserting “\$1,000”.

(b) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of section 2505(a) is amended to read as follows:

“(i) \$345,800, reduced by”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 1999.

**SEC. 602. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.**

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

“(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed \$30,000.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

**TITLE VII—PENSION PROVISIONS**

**SEC. 701. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.**

(a) COMPENSATION LIMIT.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

“(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.”.

(b) EXEMPTION FOR SURVIVOR AND DISABILITY BENEFITS.—Subparagraph (1) of section 415(b)(2) (relating to limitation for defined benefit plans) is amended—

(1) by inserting “or a multiemployer plan (as defined in section 414(f))” after “section 414(d)” in clause (i),

(2) by inserting “or multiemployer plan” after “governmental plan” in clause (ii), and

(3) by inserting “AND MULTIEMPLOYER” after “GOVERNMENTAL” in the heading.

(c) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

“(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsection (b)(1)(A).”.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking “The Secretary” and inserting “Except as provided in subsection (f)(3), the Secretary”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

**SEC. 702. ACTUARIAL REDUCTION ONLY FOR BENEFITS BEGINNING BEFORE AGE 62 IN CASE OF BENEFITS UNDER MULTIEMPLOYER PLANS.**

(A) IN GENERAL.—Subparagraph (F) of section 415(b)(2) is amended to read as follows:

“(F) MULTIEMPLOYER PLANS AND PLANS MAINTAINED BY GOVERNMENTS AND TAX EXEMPT ORGANIZATIONS.—

“(i) IN GENERAL.—In the case of a governmental plan (within the meaning of section 414(d)), a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle, a multiemployer plan (as defined in section 414(f)), or a qualified merchant marine plan—

“(I) subparagraph (C) shall be applied by substituting ‘age 62’ for ‘social security retirement age’ each place it appears, and as if the last sentence thereof read as follows: ‘The reduction under this subparagraph shall not reduce the limitation of paragraph (1)(A) below (i) \$75,000 if the benefit begins at or after age 55, or (ii) if the benefit begins before age 55, the equivalent of the \$75,000 limitation for age 55.’, and

“(II) subparagraph (D) shall be applied by substituting ‘age 65’ for ‘social security retirement age’ each place it appears.

“(ii) SPECIAL RULE FOR MULTIEMPLOYER PLANS.—In the case of a multiemployer plan (as so defined), the \$75,000 amount referred to in clause (i)(I) shall in no event be less than the amount equal to 80 percent of the dollar limit under paragraph (1)(A).

“(iii) DEFINITIONS.—For purposes of this subparagraph—

“(I) QUALIFIED MERCHANT MARINE PLAN.—The term ‘qualified merchant marine plan’ means a plan in existence on January 1, 1986, the participants in which are merchant marine officers holding licenses issued by the Secretary of Transportation under title 46, United States Code.

“(II) EXEMPT ORGANIZATION PLAN COVERING 50 PERCENT OF ITS EMPLOYEES.—A plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle if at least 50 percent of the employees benefiting under the plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle. If less than 50 percent of the employees benefiting under a plan are employees of an organization (other than a governmental unit) exempt from tax under this subtitle, the plan shall be treated as a plan maintained by an organization (other than a governmental unit) exempt from tax under this subtitle only with respect to employees of such an organization.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 1999.

**TITLE VIII—REVENUE OFFSETS**

**SEC. 801. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.**

(a) IN GENERAL.—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by inserting after subparagraph (C) the following new subparagraph:

“(D) any organization a significant trade or business of which is the lending of money.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

**SEC. 802. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

**“SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.**

“(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

“(2) other similar requests.

“(b) PROGRAM CRITERIA.—

“(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

“(A) shall vary according to categories (or subcategories) established by the Secretary,

“(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

“(C) shall be payable in advance.

“(2) EXEMPTIONS, ETC.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

“(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

Category	Average Fee
Employee plan ruling and opinion ..	\$250
Exempt organization ruling .....	\$350
Employee plan determination .....	\$300
Exempt organization determination ..	\$275
Chief counsel ruling .....	\$200.

“(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.”

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7527. Internal Revenue Service user fees.”

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

**SEC. 803. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.**

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(f)(6)(A) (relating to exception for 10 or more employer plans) is amended to read as follows:

“(A) IN GENERAL.—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

“(i) Medical benefits.

“(ii) Disability benefits.

“(iii) Group term life insurance benefits which do not provide for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.”

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—Section 4976(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

“(5) SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.—For purposes of paragraph (1)(C), if—

“(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

“(B) any portion of the welfare benefit fund attributable to such contributions is used for a purpose other than that for which the contributions were made, then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or accrued after June 9, 1999, in taxable years ending after such date.

**SEC. 804. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS FROM DEFERRED COMPENSATION PLANS.**

(a) IN GENERAL.—Section 3405(b)(1) (relating to withholding) is amended by striking ‘10 percent’ and inserting ‘15 percent’.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 1999.

**SEC. 805. CONTROLLED ENTITIES INELIGIBLE FOR REIT STATUS.**

(a) IN GENERAL.—Subsection (a) of section 856 (relating to definition of real estate investment trust) is amended by striking ‘and’ at the end of paragraph (6), by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

“(7) which is not a controlled entity (as defined in subsection (i)); and”.

(b) CONTROLLED ENTITY.—Section 856 is amended by adding at the end the following new subsection:

“(1) CONTROLLED ENTITY.—

“(1) IN GENERAL.—For purposes of subsection (a)(7), an entity is a controlled entity if, at any time during the taxable year, one person (other than a qualified entity)—

“(A) in the case of a corporation, owns stock—

“(i) possessing at least 50 percent of the total voting power of the stock of such corporation, or

“(ii) having a value equal to at least 50 percent of the total value of the stock of such corporation, or

“(B) in the case of a trust, owns beneficial interests in the trust which would meet the requirements of subparagraph (A) if such interests were stock.

“(2) QUALIFIED ENTITY.—For purposes of paragraph (1), the term ‘qualified entity’ means—

“(A) any real estate investment trust, and

“(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

“(3) CONTRIBUTION RULES.—For purposes of this paragraphs (1) and (2)—

“(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply.

“(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 269B(c)(2)) shall be treated as 1 person.

“(4) EXCEPTION FOR CERTAIN NEW REITS.—

“(A) IN GENERAL.—The term ‘controlled entity’ shall not include an incubator REIT.

“(B) INCUBATOR REIT.—A corporation shall be treated as an incubator REIT for any taxable year during the eligibility period if it meets all the following requirements for such year:

“(i) The corporation elects to be treated as an incubator REIT.

“(ii) The corporation has only voting common stock outstanding.

“(iii) Not more than 50 percent of the corporation’s real estate assets consist of mortgages.

“(iv) From not later than the beginning of the last half of the second taxable year, at least 10 percent of the corporation’s capital is provided by lenders or equity investors who are unrelated to the corporation’s largest shareholder.

“(v) The directors of the corporation adopt a resolution setting forth an intent to engage in a going public transaction.

No election may be made with respect to any REIT if an election under this subsection

was in effect for any predecessor of such REIT.

“(C) ELIGIBILITY PERIOD.—The eligibility period (for which an incubator REIT election can be made) begins with the REIT’s second taxable year and ends at the close of the REIT’s third taxable year, but, subject to the following rules, it may be extended for an additional 2 taxable years if the REIT so elects:

“(i) A REIT cannot elect to extend the eligibility period unless it agrees that, if it does not engage in a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had not made an incubator REIT election and had ceased to qualify as a REIT for those 2 taxable years.

“(ii) In the event the corporation ceases to be treated as a REIT by operation of clause (i), the corporation shall file any appropriate amended returns reflecting the change in status within 3 months of the close of the extended eligibility period. Interest would be payable but, unless there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed. The corporation shall, at the same time, also notify its shareholders and any other persons whose tax position is, or may reasonably be expected to be, affected by the change in status so they also may file any appropriate amended returns to conform their tax treatment consistent with the corporation’s loss of REIT status. The Secretary shall provide appropriate regulations setting forth transferee liability and other provisions to ensure collection of tax and the proper administration of this provision.

“(iii) Clause (i) and (ii) shall not apply if the corporation allows its incubator REIT status to lapse at the end of the initial 2-year eligibility period without engaging in a going public transaction, provided the corporation satisfies the requirements of the closely-held test commencing with its fourth taxable year. In such a case, the corporation’s directors may still be liable for the penalties described in subparagraph (D) during the eligibility period.

“(D) SPECIAL PENALTIES.—If the Secretary determines that an incubator REIT election was filed for a principal purpose other than as part of a reasonable plan to undertake a going public transaction, an excise tax of \$20,000 would be imposed on each of the corporation’s directors for each taxable year for which an election was in effect.

“(E) GOING PUBLIC TRANSACTION.—For purposes of this paragraph, a going public transaction means—

“(i) a public offering of shares of the stock of the incubator REIT;

“(ii) a transaction, or series of transactions, that results in the stock of the incubator REIT being regularly traded on an established securities market and that results in at least 50 percent of such stock being held by shareholders who are unrelated to persons who held such stock before it began to be so regularly traded; or

“(iii) any transaction resulting in ownership of the REIT by 200 or more persons (excluding the largest single shareholder) who in the aggregate own at least 50 percent of the stock of the REIT.

For the purposes of this subparagraph, the rules of paragraph (3) shall apply in determining the ownership of stock.

“(F) DEFINITIONS.—The term ‘established securities market’ shall have the meaning set forth in the regulations under section 897.”

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 856(h) is amended by striking ‘and (6)’ each place it appears and inserting ‘, (6), and (7)’.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 12, 1999.

(2) EXCEPTION FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(l) of the Internal Revenue Code of 1986, as added by this section) as of July 12, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business assets or activities as of such date.

**SEC. 806. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.**

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1259 the following new section:

**“SEC. 1260. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.**

“(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

“(1) such gain shall be treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

“(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such gain under section 1(h) shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain.

“(b) INTEREST CHARGE ON DEFERRAL OF GAIN RECOGNITION.—

“(1) IN GENERAL.—If any gain is treated as ordinary income for any taxable year by reason of subsection (a)(1), the tax imposed by this chapter for such taxable year shall be increased by the amount of interest determined under paragraph (2) with respect to each prior taxable year during any portion of which the constructive ownership transaction was open. Any amount payable under this paragraph shall be taken into account in computing the amount of any deduction allowable to the taxpayer for interest paid or accrued during such taxable year.

“(2) AMOUNT OF INTEREST.—The amount of interest determined under this paragraph with respect to a prior taxable year is the amount of interest which would have been imposed under section 6601 on the underpayment of tax for such year which would have resulted if the gain (which is treated as ordinary income by reason of subsection (a)(1)) had been included in gross income in the taxable years in which it accrued (determined by treating the income as accruing at a constant rate equal to the applicable Federal rate as in effect on the day the transaction closed). The period during which such interest shall accrue shall end on the due date (without extensions) for the return of tax imposed by this chapter for the taxable year in which such transaction closed.

“(3) APPLICABLE FEDERAL RATE.—For purposes of paragraph (2), the applicable Federal rate is the applicable Federal rate determined under 1274(d) (compounded semiannually) which would apply to a debt instrument with a term equal to the period the transaction was open.

“(4) NO CREDITS AGAINST INCREASE IN TAX.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining—

“(A) the amount of any credit allowable under this chapter, or

“(B) the amount of the tax imposed by section 55.

“(c) FINANCIAL ASSET.—For purposes of this section—

“(1) IN GENERAL.—The term ‘financial asset’ means—

“(A) any equity interest in any pass-thru entity, and

“(B) to the extent provided in regulations—

“(i) any debt instrument, and

“(ii) any stock in a corporation which is not a pass-thru entity.

“(2) PASS-THRU ENTITY.—For purposes of paragraph (1), the term ‘pass-thru entity’ means—

“(A) a regulated investment company,

“(B) a real estate investment trust,

“(C) an S corporation,

“(D) a partnership,

“(E) a trust,

“(F) a common trust fund,

“(G) a passive foreign investment company (as defined in section 1297),

“(H) a foreign personal holding company, and

“(I) a foreign investment company (as defined in section 1246(b)).

“(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

“(1) IN GENERAL.—The taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

“(A) holds a long position under a notional principal contract with respect to the financial asset,

“(B) enters into a forward or futures contract to acquire the financial asset,

“(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially equal strike prices and substantially contemporaneous maturity dates, or

“(D) to the extent provided in regulations prescribed by the Secretary, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

“(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transaction are marked to market under any provision of this title or the regulations thereunder.

“(3) LONG POSITION UNDER NOTIONAL PRINCIPAL CONTRACT.—A person shall be treated as holding a long position under a notional principal contract with respect to any financial asset if such person—

“(A) has the right to be paid (or receive credit for) all or substantially all of the investment yield (including appreciation) on such financial asset for a specified period, and

“(B) is obligated to reimburse (or provide credit for) all or substantially all of any decline in the value of such financial asset.

“(4) FORWARD CONTRACT.—The term ‘forward contract’ means any contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

“(e) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, the term ‘net underlying long-term capital gain’ means the aggregate net capital gain that the taxpayer would have had if—

“(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and

“(2) only gains and losses that would have resulted from the deemed ownership under paragraph (1) were taken into account.

The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

“(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the contracts, options, or other positions which are part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a). Proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain recognized and treated as ordinary income under this subsection.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

“(1) to permit taxpayers to mark to market constructive ownership transactions in lieu of applying this section, and

“(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.”

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

“Sec. 1260. Gains from constructive ownership transactions.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after July 11, 1999.

**SEC. 807. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.**

(a) EXTENSION.—Paragraph (5) of section 420(b) (relating to expiration) is amended by striking “in any taxable year beginning after December 31, 2000” and inserting “made after September 30, 2009”.

(b) APPLICATION OF MINIMUM COST REQUIREMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 420(c) is amended to read as follows:

“(3) MINIMUM COST REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph are met if each group health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the cost maintenance period shall not be less than the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the qualified transfer.

“(B) APPLICABLE EMPLOYER COST.—For purposes of this paragraph, the term ‘applicable employer cost’ means, with respect to any taxable year, the amount determined by dividing—

“(i) the qualified current retiree health liabilities of the employer for such taxable year determined—

“(I) without regard to any reduction under subsection (e)(1)(B), and

“(II) in the case of a taxable year in which there was no qualified transfer, in the same manner as if there had been such a transfer at the end of the taxable year, by

“(ii) the number of individuals to whom coverage for applicable health benefits was provided during such taxable year.

“(C) ELECTION TO COMPUTE COST SEPARATELY.—An employer may elect to have

this paragraph applied separately with respect to individuals eligible for benefits under title XVIII of the Social Security Act at any time during the taxable year and with respect to individuals not so eligible.

“(D) COST MAINTENANCE PERIOD.—For purposes of this paragraph, the term ‘cost maintenance period’ means the period of 5 taxable years beginning with the taxable year in which the qualified transfer occurs. If a taxable year is in 2 or more overlapping cost maintenance periods, this paragraph shall be applied by taking into account the highest applicable employer cost required to be provided under subparagraph (A) for such taxable year.”

(2) CONFORMING AMENDMENTS.—

(A) Clause (iii) of section 420(b)(1)(C) is amended by striking “benefits” and inserting “cost”.

(B) Subparagraph (D) of section 420(e)(1) is amended by striking “and shall not be subject to the minimum benefit requirements of subsection (c)(3)” and inserting “or in calculating applicable employer cost under subsection (c)(3)(B)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified transfers occurring after the date of the enactment of this Act.

**SEC. 808. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.**

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL BASIS TAXPAYERS.—

(1) IN GENERAL.—Subsection (a) of section 453 (relating to installment method) is amended to read as follows:

“(a) USE OF INSTALLMENT METHOD.—

“(1) IN GENERAL.—Except as otherwise provided in this section, income from an installment sale shall be taken into account for purposes of this title under the installment method.

“(2) ACCRUAL METHOD TAXPAYER.—The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without regard to this section. The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (1)(2).”

(2) CONFORMING AMENDMENTS.—Sections 453(d)(1), 453(i)(1), and 453(k) are each amended by striking “(a)” each place it appears and inserting “(a)(1)”.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453A(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following: “A payment shall be treated as directly secured by an interest in an installment obligation to the extent an arrangement allows the taxpayer to satisfy all or a portion of the indebtedness with the installment obligation.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.

**SEC. 809. LIMITATION ON USE OF NONACCRUAL EXPERIENCE METHOD OF ACCOUNTING.**

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting “in fields described in paragraph (2)(A)” after “services by such person”, and

(2) by inserting “CERTAIN PERSONAL” before “SERVICES” in the heading.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the

amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

**SEC. 810. EXCLUSION OF LIKE-KIND EXCHANGE PROPERTY FROM NONRECOGNITION TREATMENT ON THE SALE OF A PRINCIPAL RESIDENCE.**

(a) IN GENERAL.—Subsection (d) of section 121 (relating to the exclusion of gain from the sale of a principal residence) is amended by adding at the end the following new paragraph:

“(9) LIKE-KIND EXCHANGES.—Subsection (a) shall not apply to any sale or exchange of a residence if such residence was acquired by the taxpayer during the 5-year period ending on the date of such sale or exchange in an exchange in which any amount of gain was not recognized under section 1031.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any sale or exchange of a principal residence after the date of the enactment of this Act.

**SEC. 811. DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.**

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) DISALLOWANCE OF NONECONOMIC TAX ATTRIBUTES.—

“(1) IN GENERAL.—In determining liability for any tax under subtitle A, noneconomic tax attributes shall not be allowed.

“(2) NONECONOMIC TAX ATTRIBUTE.—For purposes of this subsection, a noneconomic tax attribute is any deduction, loss, or credit claimed to result from any transaction unless—

“(A) the transaction changes in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and

“(B)(i) the present value of the reasonably expected potential income from the transaction (and the taxpayer's risk of loss from the transaction) are substantial in relationship to the present value of the tax benefits claimed, or

“(ii) in the case of a transaction which is in substance the borrowing of money or the acquisition of financial capital, the deductions claimed with respect to the transaction for any period are not significantly in excess of the economic return for such period realized by the person lending the money or providing the financial capital.

“(3) PRESUMPTION OF NONECONOMIC TAX ATTRIBUTES.—For purposes of paragraph (2), the following factors shall give rise to a presumption that a transaction fails to meet the requirements of paragraph (2):

“(A) The fact that the payments, liabilities, or assets that purport to create a loss (or other benefit) for tax purposes are not reflected to any meaningful extent on the taxpayer's books and records for financial reporting purposes.

“(B) The fact that the transaction results in an allocation of income or gain to a tax-indifferent party which is substantially in excess of such party's economic income or gain from the transaction.

“(4) TREATMENT OF BUILT-IN LOSS.—The determination of whether a transaction results

in the realization of a built-in loss shall be made under subtitle A as if this subsection had not been enacted. For purposes of the preceding sentence, the term ‘built-in loss’ means any loss or deduction to the extent that such loss or deduction had economically been incurred before such transaction is entered into and to the extent that the loss or deduction was economically borne by the taxpayer.

“(5) DEFINITION AND SPECIAL RULES.—For purposes of this subsection—

“(A) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or entity exempt from tax under subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if, by reason of such person's method of accounting, the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

“(B) SERIES OF RELATED TRANSACTION.—A transaction which is part of a series of related transactions shall be treated as meeting the requirements of paragraph (2) only if—

“(i) such transaction meets such requirements without regard to the other transactions, and

“(ii) such transactions, if treated as 1 transaction, would meet such requirements. A similar rule shall apply to a multiple step transaction with each step being treated as a separate related transaction.

“(C) NORMAL BUSINESS TRANSACTIONS.—In the case of a transaction which is an integral part of a taxpayer's trade or business and which is entered into in the normal course of such trade or business, the determination of the potential income from such transaction shall be made by taking into account its relationship to the overall trade or business of the taxpayer.

“(D) TREATMENT OF FEES.—In determining whether there is risk of loss from a transaction (and the amount thereof), potential loss of fees and other transaction expenses shall be disregarded.

“(E) TREATMENT OF ECONOMIC RETURN ENHANCEMENTS.—The following shall be treated as economic returns and not tax benefits:

“(i) The credit under section 29 (relating to credit for producing fuel from a nonconventional source).

“(ii) The credit under section 42 (relating to low-income housing credit).

“(iii) The credit under section 45 (relating to electricity produced from certain renewable resources).

“(iv) The credit under section 1397E (relating to credit to holders of qualified zone academy bonds) or any similar program hereafter enacted.

“(v) Any other tax benefit specified in regulations.

“(F) EXCEPTIONS FOR NONBUSINESS TRANSACTIONS.—

“(i) INDIVIDUALS.—In the case of an individual, this subsection shall only apply to transactions entered into in connection with a trade or business or activity engaged in for profit.

“(ii) CHARITABLE TRANSFERS.—This subsection shall not apply in determining the amount allowable as a deduction under section 170, 545(b)(2), 556(b)(2), or 642(c).

“(6) ECONOMIC SUBSTANCE DOCTRINE, ETC., NOT AFFECTED.—The provisions of this subsection shall not be construed as altering or supplanting any rule of law referred to in section 6662(i)(2)(B) and the requirements of this subsection shall be construed as being in addition to any such rule of law.”

(b) INCREASE IN SUBSTANTIAL UNDERPAYMENT PENALTY WITH RESPECT TO DISALLOWED NONECONOMIC TAX ATTRIBUTES.—Section 6662 (relating to imposition of accu-

racy-related penalty) is amended by adding at the end the following new subsection:

“(i) INCREASE IN PENALTY IN CASE OF DISALLOWED NONECONOMIC TAX ATTRIBUTES.—

“(1) IN GENERAL.—In the case of the portion of the underpayment to which this subsection applies—

“(A) subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’, and

“(B) subsection (d)(2)(B) and section 6664(c) shall not apply.

“(2) UNDERPAYMENTS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to an underpayment to which this section applies by reason of paragraph (1) or (2) of subsection (b) to the extent that such underpayment is attributable to—

“(A) the disallowance of any noneconomic tax attribute (determined under section 7701(m)), or

“(B) the disallowance of any other benefit—

“(i) because of a lack of economic substance or business purpose for the transaction giving rise to the claimed benefit,

“(ii) because the form of the transaction did not reflect its substance, or

“(iii) because of any other similar rule of law.

“(3) INCREASE IN PENALTY NOT TO APPLY IF COMPLIANCE WITH DISCLOSURE REQUIREMENTS.—Paragraph (1)(A) shall not apply if the taxpayer—

“(A) discloses to the Secretary within 30 days after the closing of the transaction appropriate documents describing the transaction, and

“(B) files with the taxpayer's return of tax imposed by subtitle A—

“(i) a statement verifying that such disclosure has been made,

“(ii) a detailed description of the facts, assumptions of facts, and factual conclusions with respect to the business or economic purposes or objectives of the transaction that are relied upon to support the manner in which it is reported on the return,

“(iii) a description of the due diligence performed to ascertain the accuracy of such facts, assumptions, and factual conclusions,

“(iv)(I) a statement (signed by the senior financial officer of the corporation under penalty of perjury) that the facts, assumptions, or factual conclusions relied upon in reporting the transaction are true and correct as of the date the return is filed, to the best of such officer's knowledge and belief, and

“(II) if the actual facts varied materially from the facts, assumptions, or factual conclusions relied upon, a statement describing such variances,

“(v) copies of any written material provided in connection with the offer of the transaction to the taxpayer by a third party,

“(vi) a full description of any express or implied agreement or arrangement with any advisor, or with any offeror, that the fee payable to such person would be contingent or subject to possible reimbursement, and

“(vii) a full description of any express or implied warranty from any person with respect to the anticipated tax results from the transaction.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act.

**TITLE IX—NATIONAL COMMISSION ON TAX REFORM AND SIMPLIFICATION**

**SEC. 901. ESTABLISHMENT.**

(a) IN GENERAL.—There is established the National Commission on Tax Reform and Simplification. The Commission shall be composed of 15 members appointed or designated by the President and selected as follows:

(1) 5 members selected by the President from among officers or employees of the Executive Branch, private citizens of the United States, or both. Not more than 3 of the members selected by the President shall be members of the same political party;

(2) 5 members selected by the Majority Leader of the Senate from among members of the Senate, private citizens of the United States, or both. Not more than 3 of the members selected by the Majority Leader shall be members of the same political party;

(3) 5 members selected by the Speaker of the House of Representatives from among members of the House, private citizens of the United States, or both. Not more than 3 of the members selected by the Speaker shall be members of the same political party.

(b) CHAIRMAN.—The President shall designate a Chairman from among the members of the Commission.

#### SEC. 902. FUNCTIONS.

(a) IN GENERAL.—The Commission shall review the Internal Revenue Code of 1986, identify provisions of such Code which are unnecessarily complex and may be simplified, and make appropriate recommendations to the Secretary of the Treasury, the President, and to Congress.

(b) REPORT.—The Commission shall make its report to the President not later than 1 year after the date of the enactment of this Act.

#### SEC. 903. ADMINISTRATION.

(a) INFORMATION FROM EXECUTIVE AGENCIES.—The heads of Executive agencies shall, to the extent permitted by law, provide the Commission such information as it may require for the purpose of carrying out its functions.

(b) PAY.—Members of the Commission shall serve without any additional compensation for their work on the Commission. However, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service (5 U.S.C. 5701-5707), to the extent funds are available therefor.

(c) STAFF.—The Commission shall have a staff headed by an Executive Director. Any expenses of the Commission shall be paid from such funds as may be available to the Secretary of the Treasury.

#### SEC. 904. GENERAL.

(a) AUTHORITY OF SECRETARY OF TREASURY.—Notwithstanding any Executive Order, the responsibilities of the President under the Federal Advisory Committee Act, as amended, except that of reporting annually to the Congress, which are applicable to the Commission, shall be performed by the Secretary of the Treasury in accordance with the guidelines and procedures established by the Administrator of General Services.

(b) TERMINATION.—The Commission shall terminate 30 days after submitting its report.

The Speaker pro tempore. Pursuant to House Resolution 256, the gentleman from New York (Mr. RANGEL) and a Member opposed each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. RANGEL).

Mr. RANGEL. Mr. Speaker, I yield myself as much time as I may consume.

Mr. Speaker, as I have said, the major thing that should be before us at a time like this when we have unexpected revenues is to fix the roof while the sun is shining, and the repairs that have to be made is in our Social Secu-

rity system and our Medicare system and to provide some relief for our aged who are dependent on prescription drugs. We really believe that we should do more in reducing the Federal debt, and at the same time the President has suggested that we do have a \$250 billion tax cut. We have tried to include many things that would help and have it targeted to be of assistance to the American people rather than just to target it for close to a trillion dollars to the wealthiest Americans.

Mr. Speaker, we also support having even more details to a tax cut in the motion to recommit which could be done later once we make that commitment. But no matter what we do, no effect comes into being until it is certified that we did what we were supposed to do, and that is to make certain that the Social Security system and Medicare is solvent and we reduce the Federal debt. I reserve the balance of my time.

The SPEAKER pro tempore. Does the gentleman from Texas (Mr. ARCHER) wish to control the time in opposition?

Mr. ARCHER. I do, Mr. Speaker.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Texas (Mr. ARCHER).

Mr. ARCHER. Mr. Speaker, I yield such time as we may consume to the gentleman from New Jersey (Mrs. ROUKEMA).

Mrs. ROUKEMA. Mr. Speaker, I had hoped to be here a little earlier for the general debate, and I do appreciate this time for colloquy, but in a sense it is a good time in view of what ranking member RANGEL has just, and one of the reasons I was delayed, the reason I was delayed was that I was at a Committee on Banking and Financial Services hearing with the Federal Reserve Board Chairman Greenspan giving his Humphry Hawkins report, and in the course my questioning I asked him specifically about the provision on the trigger that is related to the debt reduction, and I just want the chairman to know and this body to know that the Federal Reserve Board chairman agrees. The trigger is a very good idea.

So I want people to understand that, but I am concerned about the inferences here, whether it is with respect to what we Republicans agreed to yesterday on that trigger and forestalling the across-the-board tax cut or whether it is the general discussion here. But it seems to be a compelling need to play politics with this as though we are spending the Social Security Trust Fund, and that is the nature of the colloquy that I want to have.

Mr. Speaker, it is certainly my understanding that the Social Security Trust Fund and the lockbox that we have put in place under H.R. 2488, this bill, does not either with the trigger mechanism or any other provision of this bill in any way violate the fact that those moneys are being set aside for both Social Security and Medicare, and that it no way inhibits or prohibits in any way the fact that we are going

to pursue in other legislation ways to protect Social Security and secure the Medicare provisions.

Is that correct? That is certainly my understanding.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mrs. ROUKEMA. I yield to the gentleman from Texas.

Mr. ARCHER. Mr. Speaker, the gentleman is correct. Nothing in this tax bill before us today would in any way have an adverse effect on our efforts to strengthen Medicare or save Social Security. The debt reduction provision will be helpful in our efforts to pursue the course that we have set through the Safe Deposit Act and through other efforts which have resulted in a huge surplus projected for the government for the years ahead. We submitted for the RECORD an explanation of the debt reduction provision, and I refer the gentleman to that for a detailed explanation.

Mrs. ROUKEMA. And that includes, Mr. Speaker, the provision that we have with the, as the gentleman said, the debt reduction and the triggering mechanism.

Mr. ARCHER. The gentleman is absolutely correct.

Mrs. ROUKEMA. I do thank the gentleman. That is certainly what our understanding was when we negotiated this agreement, and I think it is a fiscally sound one and a realistic one, and I am certainly glad that we now have the Federal Reserve Board Chairman's approval of the triggering mechanism.

Mr. ARCHER. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Connecticut (Ms. DELAURO).

Ms. DELAURO. Mr. Speaker, I thank the gentleman and rise in support of the Democratic substitute and in opposition to the Republican proposal which is an irresponsible tax giveaway. It jeopardizes Medicare and Social Security and in fact the health of our economy at the expense of the middle class. It reflects the upside-down values of this Republican-led Congress and does not reflect the values of American families.

When it comes to the budget, our money is where our values are. I support targeted tax cuts for middle class families, tax cuts for education, a per-child tax cut, small business tax cuts, those that make sense and that we can afford, but not a Republican tax giveaway where 65 percent of the benefit goes to the wealthiest 10 percent of Americans.

This trillion dollar Republican tax giveaway is paid for by cutting programs that assist veterans, children and seniors. It is shameful, and America is better than this.

Let us not betray our values, values that say in America every child will have the opportunity to succeed in school and in life, values that say we will meet the needs of our veterans who put their lives on the line to protect our freedoms, values that say we

will take care of our parents and grandparents in their old age.

Vote for the Democratic substitute and for the values of this country.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Kentucky (Mr. FLETCHER).

□ 1230

Mr. FLETCHER. Mr. Speaker, I thank the gentleman for yielding me this time.

I certainly appreciate his long-standing efforts to secure the financial security of families, and I believe this bill does just that.

Mr. Speaker, the President wanted to save only 62 percent for Social Security. We put 100 percent in it, locked it up for Social Security and Medicare so that we can make sure we provide for that. We also increased our spending on military, education, and still able to return money to the American people in overpayment because of the on-budget surplus.

I saw this cartoon in my local newspaper the other day and I think it really expresses the difference in attitude. It shows here a thief in the night holding up an innocent young couple saying, "I know how to spend your money better than you do," and that is exactly the way the minority side feels. They know how to spend money better than American families do.

Mr. RANGEL. Mr. Speaker, will the gentleman yield?

Mr. FLETCHER. You take the money; you are not going to take my time.

Mr. RANGEL. Mr. Speaker, I would ask that the gentleman put the cartoon over here so we can see it too. We cannot see it.

Mr. FLETCHER. Mr. Speaker, I reclaim my time. We will be glad to show the gentleman.

I am surprised. I also have a list of the folks who voted to increase how much money they take home, over \$4,000 a year. Last night those same people stood up here and said no, we do not want the American, average American, to take just a little over \$5,000 home over 10 years. We want to keep it. We will take ours, but we do not want you to have yours. So I think it shows the hypocrisy there.

I stand to support this bill and what the chairman has done. I encourage my colleagues to vote for the bill and not for the substitute.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mr. TANNER), a member of the Committee on Ways and Means.

Mr. TANNER. Mr. Speaker, I came here this morning hoping that I could have voted for a tax bill that was reasonable. All of the rhetoric we have heard this morning, basically dealing with the surplus, is about a projection. It is not about a fact. In fact, 6 months ago, part of the money we are talking about spending today was not even here. It was created by rewriting the projection of what is going to happen.

This is fact. This has happened. These are the deficits that we ran during the 1980s and 1990s, resulting in this national debt that we, the American people and our kids and grandkids owe. That is not a projection, this is not a guess, it is not a hope, it is not a wing and a prayer, it is a fact.

In a few minutes we are going to have a motion to recommit. All of us, the President, the Republicans, the Democrats have agreed to take the Social Security money surplus off the table. The motion to commit in a few minutes is going to focus only on this trillion dollar surplus, on-budget surplus, having nothing to do with Social Security surpluses, that we have in front of us that we have been spending over and over again this morning.

I want my colleagues to listen to it, because what it says is, let us not only put 100 percent of the Social Security money aside for future generations, but let us take half of this money we are talking about spending today and put it to our children, to their future financial obligations. Everybody in here knows, if they are honest with themselves, that simply by taking the Social Security surplus and paying that on the publicly-held debt, we do not lessen the financial obligation of the next generation by one red cent. It is \$5.6 trillion then; it is \$5.6 trillion now, and it is \$5.6 trillion tomorrow.

By simply doing that, we do not do anything. The motion to recommit is the only way to pay down the debt.

Mr. ARCHER. Mr. Speaker, I yield 3 minutes to the gentleman from Florida (Mr. SHAW), a respected Member of the Committee on Ways and Means and the Chairman of the Subcommittee on Social Security.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, during the debate on the tax cut bill, a common refrain was echoed last night, and we are seeing it again today, and that is saying that we will be cutting taxes somehow and it will hurt Social Security and Medicare.

Mr. Speaker, I say to my colleagues, it is simply not true. Do not believe this scare tactic. The House, including 95 percent of the Democrats, have already overwhelmingly approved H.R. 1259, which is the Social Security lockbox. This bill locks away \$1.9 trillion in Social Security surpluses over the next decade. Those surpluses are to be used and can only be used solely to pay down the debt or to save Social Security and Medicare.

Fortunately, as established by the Social Security guarantee plan, the gentleman from Texas (Mr. ARCHER) and I have crafted the Social Security surpluses, and we have proved that the Social Security surpluses are more than enough to save Social Security, leaving hundreds of billions of dollars to save Medicare and to pay down the debt.

I cannot help but be struck by the irony that those claiming Social Security surpluses are not enough to save

Social Security do not even have their own plan to save Social Security. Where is the plan? Where is the plan to save Social Security for all time? There is the Archer-Shaw plan. Where is the Democrat plan? How much does it cost? Tax cut opponents have no answers to this, and I find the silence in this hall today deafening. Where is the plan? Is it any surprise that we are now trying to scare our seniors?

Well, I am going to say, this time, it is not going to work. In fact, this bill that we have before us today augments efforts to save Social Security and Medicare through needed pension reforms, savings and investment incentives, and health care tax relief, enhanced savings and stronger employer pensions, which will ensure the retirement security so that it will remain stable to support the baby boomers as they approach retirement.

Plus, we have now added a provision which says, if we do not pay down the debt, then we do not cut the taxes for that year. I think Mr. Greenspan, just this morning, made reference to that in his testimony in a very positive manner. How much stronger of a commitment to paying down debt can we get.

The tax cut is financed 100 percent with non-Social Security surpluses. Let me repeat that, 100 percent of non-Social Security surpluses, which represents the overpayment of taxes by the American family. We should refund them and get on with the hard work of saving Social Security and Medicare.

Fortunately, for that purpose, we can use the Social Security surpluses already saved in the lockbox which are more than enough to save Social Security and Medicare. We can pay down the debt, cut taxes and save Social Security and Medicare, and this tax bill proves it.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. CLEMENT).

(Mr. CLEMENT asked and was given permission to revise and extend his remarks.)

Mr. CLEMENT. Mr. Speaker, I rise today in strong support of the Democratic substitute. I want to congratulate the gentleman from New York (Mr. RANGEL) for being such a strong leader in bringing about tax fairness in this Democratic package.

This particular issue I am talking about is one that the Republicans could have made part of their package. They refused. Democrats said they wanted this to be a part of their package, and this has to do with the fundamental fairness not only for Tennessee, but for 7 other of our States.

In 1986, the State and local sales tax deduction was eliminated from the Tax Code and created a fundamental inequity between States that have an income tax and those that do not. Taxpayers living in States that have an income tax can deduct their State taxes, but those living in 7 States without an income tax do not have a deduction. So they end up paying more in taxes to the Federal Government.

In 1997, the average Tennessean paid \$927 in State taxes. We can deduct that in the future if we will vote for the Democratic substitute, and we need to do that to bring about tax fairness.

Mr. Chairman, I rise in strong support of the Democratic substitute and, in particular, of restoring the sales tax deduction to the federal income tax code.

The problems with the Republican tax proposal are almost too numerous to mention. They want to spend \$792 billion over the next ten years, almost the entire projected on-budget surplus, on a tax cut whose main beneficiaries will be those at the top of the income scale. According to the Treasury Department, 65 percent of the tax relief would go the wealthiest 10 percent of taxpayers. In addition to not providing tax relief to those who most need it, the Republican plan puts the future of Social Security and Medicare in jeopardy. They leave none of the projected surpluses available for Medicare reform, meaning that Social Security and Medicare will have to compete for the Social Security Trust Fund. In fact, these tax cuts would explode just about the time the baby boomers are going to need these essential programs. And perhaps the most serious consequences of this ill-conceived and irresponsible tax scheme is that rather than paying off the national debt, the Republicans would return us to an era of deficits by spending all of an estimated surplus that may very well never materialize because it is based on drastic and unrealistic cuts in discretionary programs.

The Democratic substitute is a moderate approach that provides tax relief to those who most need it while also allowing us to adequately fund important discretionary programs such as Head Start, the National Institutes of Health, and veteran's health care, ensure the long-term solvency of both Social Security and Medicare, and pay off the national debt. This amendment contains many important provisions that will provide relief to middle-class families, such as elimination of the marriage penalty, relief from the estate tax, an increase in the family child tax credit, funds for public school construction and modernization, and a tax credit for long-term care providers. It also permanently extends the research credit, the welfare-to-work credit, and the brownfields tax incentive.

Perhaps the most important provision of this amendment for the citizens of Tennessee is the restoration of the sales tax deduction from the federal income tax. In 1986, the state and local sales tax deduction was eliminated from the federal tax code in an effort to expand the tax base. While well-intentioned, the elimination of the sales tax deduction created a fundamental inequity between states that have adopted an income tax and those that have not. That's because, under the current tax code, taxpayers living in states that have an income tax can deduct their state taxes from their federal tax bill. However, those living in states without an income tax, such as Texas, Florida, Washington, Tennessee, South Dakota, Nevada, and Wyoming, don't have an equivalent deduction. As a result, they end up paying significantly more in taxes to the federal government than a taxpayer with an identical profile in a different state.

In 1997, the citizens of Tennessee paid an average of \$927 in state and local sales taxes, but could not deduct one dollar of it from their

federal income tax returns. So, basically, Tennesseans are being forced to pay taxes on their taxes. My colleagues, this is just not right. In fact, Tennessee Lieutenant Governor John Wilder is exploring options for filing a class action lawsuit against the federal government asserting that the citizens of Tennessee are being discriminated against simply because they live in a state that has chosen not to enact a state income tax.

Mr. Chairman, I submit to you that the federal government should treat all taxpayers equally, regardless of the system of taxation their state employs.

This provision of the Democratic substitute would allow taxpayers to deduct either their state income tax or state and local sales taxes from their federal income tax returns. Those living in states that have an income tax would still be able to take an income tax deduction as they are today. However, residents of states that do not have an income tax would be provided with the opportunity to take a similar deduction.

I also believe we should remove the incentive toward a state income tax from the federal tax code. Regardless of your views on income taxes, sales taxes or some alternate tax structures, I'm sure my colleagues on both sides of the aisle would agree that states should have the right to decide for themselves how they want to collect their revenues without interference from the federal government.

In closing, I would like to thank the distinguished ranking member of the Ways and Means Committee, Mr. RANGEL, for his support of this important provisions, which my friend, Congressman BRIAN BAIRD, and I have been working so hard to enact. We have an opportunity to restore fairness and equity to the tax code in this Congress without making the tax code more complex and without abandoning our fiscal discipline.

We say we want a fair tax structure. We say we want tax reform. We say we want to give our citizens power over their own lives. We say we want to allow states to make their own decisions. Let's take this chance to do something and not just say something about tax equity.

I urge my colleagues to support the substitute amendment and reinstate the sales tax deduction.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Georgia (Mr. COLLINS), another Member of the Committee on Ways and Means.

Mr. COLLINS. Mr. Speaker, I thank the Chairman for yielding me this time.

Mr. Speaker, several months ago, Congress passed the most important legislation we will pass in the 106th Congress: the budget resolution. It is a blueprint of our agenda. The policies we will implement to strengthen national defense, return local control and excellence to education, and protect Social Security. The Financial Freedom Act contains the revenue provisions of that blueprint.

The chairman of the Federal Reserve, Alan Greenspan, has been mentioned several times during this debate. Earlier this year, he did appear before the Committee on Ways and Means. He suggested that the best thing that we can do is let the surpluses grow. That

is exactly what we are doing. The budget resolution sets aside 100 percent of the payroll taxes and all of the surplus accruing in the Social Security Trust Fund to ensure long-term solvency, and the lockbox legislation ensures that growth.

The second thing Chairman Greenspan recommended in order to maintain strong economic growth in this country was to further reduce the capital gains tax rate. He also said we should reduce marginal income tax rates. Doing so reverses actions taken by the President and the previous majority in Congress in 1993 when they increased the number of income tax brackets from 3 to 5. The Financial Freedom Act accepts Chairman Greenspan's advice by reducing marginal rates so that we will increase savings and investment and create more jobs.

The Chairman offered a third piece of advice, which is also in the budget resolution: no new Federal spending. That is not to say that we should not reprioritize or even create a new program, if needed. But no overall increases in spending. The budget resolution follows that advice.

Chairman Greenspan's advice is good common sense that will continue economic growth and preserve the low interest rates that we enjoy today which have benefited every family and every working person across this country.

Mr. Speaker, as a part of the overall blueprint, this tax bill is good common sense tax policy, and I strongly urge its passage.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from California (Ms. WOOLSEY).

(Ms. WOOLSEY asked and was given permission to revise and extend her remarks.)

Ms. WOOLSEY. Mr. Speaker, the Republican Party's risky tax plan is a threat to our economy, and it is a failure from the start. These are the same folks who told the country in 1993 that the Democratic budget would destroy the economy, so they did not vote for it. Not one of them. They did not vote for a budget that has resulted in the best economy in decades.

Now, they have a tax plan to undo the good works that we did in 1993; a plan that lavishes cuts on the most wealthy 1 percent of the Nation, but does not pay down our national debt and does not secure our Social Security nor Medicare.

This bad bill gives the top 10 percent of taxpayers two-thirds of the tax benefit. This is outrageous. So again, we must ask, who is taking care of our children? Who is taking care of our retirees? Who is taking care of our veterans? Because we know who is taking care of millionaires and billionaires.

Mr. Speaker, vote for the Democratic tax bill substitute; vote for American values.

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. THOMAS), another respected member of the Committee on Ways and Means.

Mr. THOMAS. Mr. Speaker, this truly is a sad day for America. The once great Democratic Party is reduced to: "We can't." However, there is hope, because the new Republican majority is showing how "we can."

The Democratic leader had a quote which said, "A massive tax cut that encourages consumption would not be good economic policy." Well, we happen to agree with that quote. As a matter of fact, the Republican tax program is the most massive incentive for saving and investment in the history of the country.

Our tax plan targets savings and investments for individuals, for small business, for international corporations, for farmers, for families. It is the sum and substance of the Republican philosophy: You do for yourself what you can do. Only then should government step in.

The Democratic leader said that "the Democrats' tax plan was conditioned on saving Social Security and Medicare." You heard the chairman of the Subcommittee, Mr. SHAW, on Social Security and the chairman of the full committee, Mr. ARCHER, have a plan certified by the trustees of the Social Security system that our Social Security plan saves Social Security for all time. All we have to do is pass it.

The President has talked about a Medicare program. The Congressional Budget Office has now analyzed the meager information that has been given by the administration to the Congressional Budget Office. We know at least this, surprise: The President understated his prescription drug program by \$50 billion.

□ 1245

The President overstated his savings to the Medicare system by about \$16 billion. Remember, it was the Republican majority, after every opportunity was available to the Democrats since 1965, but it was only after the Republicans became the majority that we added the preventive and wellness care package that was absolutely essential to Medicare, increased mammography tests, prostate cancer detection and treatment, diabetes detection and treatment, osteoporosis exams, critical in senior women. Those were only added after Republicans became the majority.

Republicans have a provision for deductibility of prescription drugs in this tax package, tied to the requirement that we improve and preserve Medicare, conditioned on real behavior, exactly the same thing for the across-the-board tax cut tied to the performance of the economy in improving our debt. We reward performance.

The Democrat leader concluded his speech by saying, "Do not repeat the mistakes of the past." Well, the Democrats were the majority in this House for 40 years. I can assure the Democrat leader we are not going to repeat the mistakes of the past. We are not going to do what they used to do with various

tax bills. There is no smoke and those are no mirrors in our bill. Today, sadly the party of that minority leader says we can't. Today, the Republicans say, we can. We can save Social Security. We can improve and preserve Medicare. We can give some of the taxpayers' hard-earned money back, but most importantly, we can build the economy. Today's Republicans say we can for today's Americans and most importantly for tomorrow's as well.

This is an exciting day for America, an exciting day for the House of Representatives. We can.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, when the Republicans talk about sensitivity and caring, they are certainly far more effective when they bring those cartoons to the floor.

Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. DOGGETT), a member of the Committee on Ways and Means.

Mr. DOGGETT. Mr. Speaker, indeed it is amazing today that Republicans who tell us we "cannot" when it comes to affording prescriptions for seniors, we "cannot" when it comes to holding managed health care insurers accountable; but they now tell us we "can" have what is really the "Financial Freedom from Reality Act," a near trillion dollar tax cut where they choose party loyalty over fiscal sanity. Instead of tax fairness for the middle class, they propose to jeopardize our long-term prosperity, Medicare and Social Security.

This is a House that has done so very well at doing so very little this year. Of course the Republican leadership had to engage in desperation tactics on this bill. They are desperate for anything that would mask their many failures and continued refusal to schedule meaningful action on the major issues that truly concern American families.

There is no \$3 trillion surplus. \$2 trillion is committed to assure the solvency of Social Security for the coming decades. The other \$1 trillion is based on false assumptions that are as unreliable as a 10-year weather forecast.

Further, they forget the advice of Federal Reserve Chairman Alan Greenspan, who when asked about their 10 percent across-the-board tax rate cut said he rejected it; he flatly rejected it in favor of building up the surplus to pay down the debt.

There is one other matter, and that is the matter of tax fairness, because I think most Americans are willing to pay their fair share, but they resent the high rollers cheating and gaming the system while honest taxpayers have to make up the difference. We must help law enforcement close loopholes, eliminate sham transactions, and stop tax shelter hustlers.

These tax shelter hustlers even commanded the attention of Forbes Magazine, known as "the capitalist tool," because they do a disservice to this country and the practice of accounting.

Republicans say closing tax loopholes for their corporate shelter buddies is a tax increase. We say it is an opportunity to provide more tax relief to middle-class Americans. We say these tax-and-borrow Republicans are trying to borrow more money to give more tax breaks to those special interests, who are cheating and gaming the system.

We have the courage to take on the special interests. They have demonstrated once again they are here to serve the special interests.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. PORTMAN), another respected member of the Committee on Ways and Means. The committee is a lot bigger than it used to be, Mr. Speaker.

Mr. PORTMAN. Mr. Speaker, since the previous speaker brought up Alan Greenspan, let me just say what Alan Greenspan said before our committee in testimony in January of this year. He said, and I quote, "If we have to get rid of the surpluses, I would far prefer reducing taxes than increasing spending, and indeed, I do not think it is a close call," end quote.

Mr. Speaker, I want to commend the gentleman from Texas (Chairman ARCHER) for putting together what I think is a balanced, thoughtful approach to give at least some of the money back to the hard-working taxpayers that created the \$3 trillion surplus in the Federal Government's treasuries that is projected to happen over the next 10 years.

We have heard a lot today about across-the-board tax relief that is going to help every single family in America. We have heard about eliminating the marriage penalty; but let me mention a couple of other great provisions in the Archer bill, such as reforming unfair tax rules like the interest allocation rules that are driving U.S. companies and jobs out of this country.

Let me mention something else that is very important, which is the most comprehensive pension reforms in over a generation. That is in the Archer bill. It is going to give millions of Americans the ability to prepare for their own retirement, save more for their own retirement.

At a time when 60 million Americans, Mr. Speaker, do not have a pension in this country, we expand 401(k) opportunities; we expand the traditional defined benefit plans; we make pensions more portable so workers can take their pensions from job to job. We allow a catch-up provision to let people save even more, people who are over 50, primarily focused on working moms so they can save more again for their own retirement.

We have heard a lot today from the other side. It is getting kind of tiresome, about tax cuts for the rich. Seventy-seven percent of pension participants make less than 50,000 bucks a year. When we strengthen our pension system, we are helping the Americans who need it the most.

Though it has been a bipartisan effort from day one, unbelievably these pension reform provisions are not in the Democrat substitute that we are talking about right now. I do not know what to say about that, except I can say that Republicans are committed to strengthening pensions, and I hope we can pass this legislation to do it. It is just another example of why the Archer bill is not an irresponsible but it is a responsible, balanced approach to tax relief.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Michigan (Ms. RIVERS).

Ms. RIVERS. Mr. Speaker, I will not be voting for any of the proposals that we are going to be considering today. Why? Because they all spend money we do not yet have. If one follows the headlines of the last few weeks, they will find the surplus repeatedly being referred to as ephemeral, shaky, a castle in the sky, a mirage, an illusion. Why?

Well, according to the Washington Post in their article, *The Surplus Illusion*, the reason is to make the numbers come out even when they passed the Balanced Budget Act in 1997, Congress agreed to cut in the future, without ever specifying how, a large category of Federal spending that would have to be cut by 22 percent in real terms, 20 percent in real terms.

As I read this and thought about it, it seemed familiar to me somehow. So I went back through my books, and I found what I was looking for. I found a quote that said, "there was not a hint, not one scintilla, about what this fabulous giving actually meant, that tens of millions of Social Security recipients, students, farmers, government pensioners and other beneficiaries of Federal largesse watching that night received no warning that their benefits would have to be deeply and suddenly slashed in order to keep the budget equation whole."

1981 all over again. Do not repeat the past mistakes.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentlewoman from Florida (Mrs. FOWLER), a member of the Republican leadership.

(Mrs. FOWLER asked and was given permission to revise and extend her remarks.)

Mrs. FOWLER. Mr. Speaker, this debate today comes down to a very simple question: Whose money is it? Some here are arguing details, but in reality it all comes down to whether one thinks this is the government's money or the American people's money. To me, that is an easy answer, and my constituents tell me every time that I talk to them it is the American people's money.

When Republicans took the reigns of Congress in 1995, we made a solemn promise to the American people to return our government to a government of the people, by the people, and for the people. The only way to accomplish this is to return to the American peo-

ple control over their lives and over their money.

That is why we committed to not only locking away 100 percent of what Americans pay into Social Security and Medicare for only Social Security and Medicare, but also returning money to hard-working Americans and at the same time we will pay off \$2 trillion in public debt, more than twice what we offer in tax relief.

This bill returns dollars and decisions home. I urge support of the bill.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Washington (Mr. BAIRD).

Mr. BAIRD. Mr. Speaker, I was watching TV last night as the debate occurred, and I did that because I wanted to ask myself how would the American people decide if they were watching this debate? And I can say, if someone lives in certain States, the decision should be absolutely clear. If someone lives in Washington, lives in Tennessee, Florida, Texas, Nevada, South Dakota, or Wyoming, the choice is clear: they will vote for the Democratic substitute.

The reason is this: the Republican tax bill sells taxpayers in those States out. It sells them out so they can give tax breaks to other people but it forces those in Washington, in Tennessee, in Florida, in South Dakota, and Wyoming, it forces them to pay higher taxes because the Republicans refuse to let them deduct their sales tax, which should be their right, which the Republicans took away in 1986.

If people care about tax fairness, which the Democrats do, and we talked to the Republicans, we went before the Committee on Ways and Means and we asked them, restore tax fairness for these States; let people deduct either their sales tax or their income tax. And the Republican Party refused. The Democrats put it in their substitute. The Democratic bill respects the rights of those people, and it is the right bill to support.

Mr. ARCHER. Mr. Speaker, may I inquire as to how much time is remaining on each side?

The SPEAKER pro tempore (Mr. THORBERRY). The gentleman from Texas (Mr. ARCHER) has 14 minutes remaining. The gentleman from New York (Mr. RANGEL) has 19 minutes remaining.

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentleman from Texas (Mr. DELAY), the respected whip of the House of Representatives, and my neighbor in Texas.

Mr. DELAY. Mr. Speaker, this is a proud day for me, particularly to watch one of my heroes, the gentleman from Texas (Mr. ARCHER), who is Chairman of the Committee on Ways and Means, to bring such a great bill to this floor, that shines on his ability and his strong, strong advocacy that the American family should keep more of the hard-earned money that they make.

It is just really a pleasure to be on the floor with the chairman and we

greatly appreciate him bringing this bill.

Mr. Speaker, I rise today in strong opposition to this substitute tax amendment. The average American family needs tax relief, not a tax increase. Overall, this substitute raises taxes. They are so unaccustomed to cutting taxes that the do-nothing Democrats cannot even write a tax bill that cuts only taxes, they have to raise taxes.

The Joint Committee on Taxation has determined that this do-nothing Democrat amendment would actually increase taxes by \$4 million. Amazing. This tax burden means that working Americans are forced to spend more time at work and less time with their families just to pay the government tab.

Typically, the average American family today pays more in taxes per year than it spends on food, clothing and shelter combined, combined. That is flatly outrageous; and we want to change it, because the Republicans think that the government should do more with less. Republicans think that American families need relief from overtaxation, but typically our opponents kick and scream and charge that it is irresponsible to return money to those who earned it in the first place. They want to spend the American families' money.

I think we should look back at the past a little bit to recall how responsible the Democrats were when they were in the majority.

Today, Republicans are proposing tax cuts, but when the Democrats were in the majority, we had nothing but tax increases. Today, Republicans have forced a balanced budget; but when the Democrats were in the majority, we had nothing but deficits as far as the eye could see.

□ 1300

Today, Republicans are locking up every dime of Social Security taxes in a lockbox. But when the Democrats were in the majority, every cent of those Social Security taxes were spent every year on new big-government programs.

Simply put: The claim that the Democrats can be fiscally responsible just does not correspond to the reality of history, and the American people know it.

Today, the do-nothing Democrats are offering a plan that has some very narrow and some very targeted tax cuts, but even these are contingent on special reforms on Social Security and Medicare, reforms which they have not even presented a plan for. Their alleged tax cuts will never happen because they tie them to legislation that they know does not and will not exist.

The Democrats are big-government addicts. They just cannot break the old habit of tax and spend. Overall, their tax plan raises taxes, raises taxes, while the Republican plan gives money back to every, every, American family.

The time has come to say enough is enough, America. Americans deserve tax relief, and we are going to start giving it to them today.

Mr. Speaker, even when they try to come up with a tax cut bill, the Democrats end up raising taxes. I urge all of my colleagues to vote against this substitute.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

I was just waiting for somebody to point out that there are revenue raisers in our bill. I did not think it would be the distinguished majority whip. He says that we raise \$4 million. Oh no, \$4 billion is the figure that he is looking for.

And how did we do it? We did it by closing the Republican loophole for those corporate tax shelters that we are talking about. And we will do it again and again and again. We are not in business to protect those people who abuse the system.

Oh, I know, one day, someday, the Republicans want to pull the Code up by the roots. Well, the Republicans have been in the majority for 5 years, and instead of pulling up the Code by the roots, they fertilize it by these tax shelters.

Mr. Speaker, I yield 1 minute to the gentleman from New Jersey (Mr. PASCARELL).

Mr. PASCARELL. Mr. Speaker, I thank my colleague for yielding me this time.

After 6.5 years of putting our fiscal house in order, the Republican leadership has put forth a tax package that returns us to the days of irresponsible tax schemes and ballooning deficits. This leadership tax bill fails our seniors, fails our students, our military, our veterans, and our hard-working middle-income families.

Sixty-five percent of the tax relief, so-called, goes to the top 10 percent of the taxpayers, and over half goes to the top 5 percent. The Congressional Budget Office, whose numbers are always touted by the other side, says their plan even spends more than non-Social Security surpluses, \$24 billion more.

The Republican lockbox for Social Security has Jesse James as the security guard. In contrast, the Rangel substitute strengthens Social Security and Medicare, contains \$250 billion in tax cuts aimed at those who need the help, including child tax credits, marriage tax relief, long-term care for the elderly and school construction funding.

It is an interesting fact of life that when this tax cut they talk about really balloons in when the baby boomers are going to be eligible for Social Security. Who is going to pay for this tax cut?

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Maine (Mr. ALLEN).

Mr. ALLEN. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, this Republican tax cut plan is a bonanza for the rich and privi-

leged. The GOP rationalizes this giveaway by saying that government spending is inherently evil. What they are really saying is the middle class in this country are on their own. They have a lot of explaining to do to the American people if these tax cuts ever take effect.

The majority whip here said Democrats support big-government programs. Well, one of those big-government programs is Head Start, and their plan will cut 400,000 kids out of the Head Start program in the next 10 years. One of those programs is the Veterans Administration health care for our veterans, and they will cut 1.5 million veterans out of health care that they are getting now. One of those plans is Medicare. One of them is Social Security. And this plan does absolutely nothing to preserve and protect Social Security and Medicare.

They will have to explain to the American people why, with the best chance in a generation, they do nothing to pay down the national debt. Mr. Speaker, this reckless tax break must be defeated and the Democratic substitute passed.

Mr. ARCHER. Mr. Speaker, may I again inquire how much time is remaining?

The SPEAKER pro tempore (Mr. THORBERRY). The gentleman from Texas (Mr. ARCHER) has 10 minutes remaining, and the gentleman from New York (Mr. RANGEL) has 16 minutes remaining.

Mr. ARCHER. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Speaker, we know where the money for this tax cut is coming from. More than two-thirds of this tax cut has been transferred from programs that were put on a starvation diet by the 1997 Balanced Budget Act, which included hospital cuts, cuts to home health care and visiting nurses, and cuts in Medicare benefits.

The Republican moderates who are going to vote for this bill know it is a bad bill. They know it is bad for the country. But they are going to vote for it anyway, with their eyes wide shut. Today, we are learning what the real definition of a Republican moderate is. It is an extremist who feels guilty about it.

This bill is a backloaded, budget-busting, billionaire bonanza. Yes, we have a surplus, but if we vote for this tax cut, we will be plunging the United States Congress into a deep moral deficit.

We owe this money to people on Medicare, we owe it to people on Social Security, we owe it to people on home health care, we do not owe this money to the wealthiest 1 percent in our country.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Rhode Island (Mr. WEYGAND).

Mr. WEYGAND. Mr. Speaker, I thank the gentleman for yielding me this

time, and I rise in support of the Democratic substitute we have crafted together.

Mr. Speaker, here on the Democratic side and on the other side we will hear a lot of rhetoric about the complexity, the smoke and mirrors, and it will go back and forth. But true to what the bill is all about, the underlying bill, 1 percent of the people in my district are going to receive a \$30,000 tax cut, and those people in my district who make less than \$37,000 a year are going to get less than \$500 a year.

Let us talk about real people. Paul and Jane Smith are 70 and 66 years old. They both retired 4 years ago but are back working, working part-time to pay for prescription drugs after open-heart surgery. These are real people who will not benefit from the Republican tax cut. These are real people that pay \$8,300 a year in prescription drug coverage that they do not have in Medicare or in their health care. The Democratic substitute would go to reforming Medicare to give them some benefit.

The choice is clear: Do we on this floor today vote for the rich and famous or for the real Americans throughout this country who need a tax break? Vote for the Democratic alternative.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina (Mr. PRICE).

Mr. PRICE of North Carolina. Mr. Speaker, "Katy bar the door. Spend every cent before you put a penny in your pocket."

This Republican tax bill is the height of fiscal irresponsibility and economic folly. I am proud to support the carefully crafted Democratic substitute, balanced among the goals of debt reduction, Social Security and Medicare solvency, and meeting our pressing defense and domestic obligations. It contains a prudent, affordable tax relief package targeted to the hard-pressed families and communities that need it most, and it gives us the flexibility to ride out the storm if these sunny projections do not pan out. It will let us sustain our economic health and keep our fiscal House in order.

Now, why would anyone want to oppose an \$800 billion tax cut? Well, let me give my colleagues a few reasons, and I will go until my time runs out and put the rest in the RECORD.

Reason number one. It bets the store on the accuracy of 10-year surplus projections. It seems the party of "rosy scenarios" has learned nothing.

Two. It contains not one dime for extending the solvency of Medicare.

Three. It foregoes hundreds of billions of dollars in debt reduction and interest savings.

Four. It almost certainly will lead to higher inflation and higher interest rates, thus canceling out the supposed benefits of lower taxes.

Five. It leaves no room in the budget for the investment we must make in military pay and readiness, in health care for our veterans, in

building highways and transit, in health and other critical research, and in improving public education. We are already struggling to meet these obligations and the Republican bill would leave us unable to even adjust present expenditures for inflation.

Six. According to the Treasury Department, it concentrates two-thirds of its benefits on the wealthiest ten percent of our population. Citizens for Tax Justice estimates that the tax windfall to the wealthiest one percent would equal the benefits to the lower 90 percent.

Seven. It locks in a tax cut that gives us limited flexibility if these projections are wrong. It could force us to divert the Social Security surplus. It would almost surely spell fiscal ruin in the second ten years when its cost would balloon to almost \$3 trillion.

Eight is actually multiple choice. Choice A is for those who believe the trigger, which cancels the across the board cut if the projections are wrong, is on the level. This will create year-to-year uncertainty in the tax code. Taxpayers won't know even what the tax rate is until the final budget figures are published by the Treasury. Choice B is for those who think the trigger is a fig leaf for Republican moderates to hide behind in order to fold their principles once again to the conservative wing of their party. Passing such an artifice, such a sham as a part of a tax bill is beneath this House.

Mr. Speaker, I urge my colleagues to vote for the Rangel substitute.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. DOOLEY).

(Mr. DOOLEY of California asked and was given permission to revise and extend his remarks.)

Mr. DOOLEY of California. Mr. Speaker, I rise in support of the Democratic substitute as well as the Democratic motion to recommit, and I support these alternatives to the risky Republican proposal because they embrace the philosophy and values that are important to American families.

First and foremost, they are fiscally responsible. For the last 30 years we have a history of running annual deficits. I am very proud that this year we have turned the corner and we are actually running a surplus. And I am also very proud that over the next 10 years, we can project to run a \$1 trillion surplus. But the American families, as well as those of us in Congress, should know well that it is not responsible, after 30 years of running a deficit, with 1 year of a surplus under our belt, and without having any money put in the bank, that we would embark upon a risky path of a \$1 trillion tax cut.

It is a risky proposition that we would take this path before we have even begun to pay down any of the national debt that we have developed over the last 30 years. It is a risky proposal to go down this path before we have protected Medicare and Social Security.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. MEEKS).

Mr. MEEKS of New York. Mr. Speaker, I thank the gentleman for yielding me this time, and I rise today in sup-

port of the Democratic substitute sponsored by the gentleman from New York (Mr. RANGEL), and I commend him for the fine work he has done in crafting this substitute, for once again it highlights the difference between Democrats and Republicans. Democrats "big tent"; Republicans "small tent."

The Republicans' small tent fails to extend Social Security solvency and strengthen Medicare. The Republican tax cut, the small tent Republican tax cut, will require \$23 billion in borrowing from the Social Security Trust Fund over the next 10 years. The Republican small tent would give 65 percent of the total tax cuts to the rich.

The Democratic big tent thinks about those middle income Americans. The Democratic big tent thinks about the marriage penalty. The Democratic big tent thinks about the earned-income tax credit. The Democratic big tent thinks about how we can make our poor have a chance in this society so that they too can succeed.

One thing we do know for sure; that in the Republican small tent this bill is so bad that if the moderates in the Republicans' small tent were left on their own, they too would vote for this bill.

Vote in support of the gentleman from New York (Mr. RANGEL) and the Democratic substitute.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Oregon (Ms. HOOLEY).

Ms. HOOLEY of Oregon. Mr. Speaker, as an active and ardent proponent of meaningful and fair tax relief, I rise in support of the framework provided by the substitute amendment. This substitute bill best reflects the amount of tax relief that Congress can responsibly provide at this time without negatively impacting the economy. It is the only proposal allowing consideration that provides the majority of people the most tax relief.

I am personally disappointed that my calls for greater death tax relief for family farmers and small business owners have not been adequately addressed, and I will continue to advocate for those. But I want a measure that gives real relief to all people; that will not bankrupt Social Security and Medicare; that pays down the debt and still fits within the confines of a solid budget projection.

Fiscal discipline and common sense both tell us that we must provide targeted tax relief that helps families and fuels the economy engine, our economic engine of our Nation. I call again on the leadership to work with all Members to move forward to a tax cut bill that the majority of Congress can support. Please support the Rangel amendment.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Florida (Ms. BROWN).

□ 1315

Ms. BROWN of Florida. Mr. Speaker, the Republicans practice what I call reverse Robin Hood, robbing from the

poor and working people to give a tax break to the rich. I think this is illustrated in this Forbes Magazine headline.

But today I want to talk about an issue that is very important to the people of my great State of Florida. Since the elimination of the sales tax deduction in 1986, the hard-working taxpayers in my State have been treated unfairly by the Tax Code. Because our State does not have an income tax, our residents are unable to deduct the same amount as taxpayers with identical income and financial profiles of other States and, therefore, pay a disproportionate share of Federal taxes.

The language in this bill would simply allow taxpayers to deduct either their State income tax or sales tax using standard tables to determine their average sales tax deduction.

The Rangel substitute is the only opportunity the residents of the State of Florida have to achieve tax fairness. I urge my colleagues to support the Rangel amendment.

Mr. ARCHER. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, throughout this entire debate, one thing is very, very clear. The Democrats again are fighting ferociously to keep the money of the workers of this country in Washington.

It is nothing new. They will use every, every argument that has no connection to this tax reduction. If they say it long enough, maybe they can make it stick. But there is a genuine difference between us that is very clear. The Democrats believe they know best how to spend money by spending it with Government. We believe the people know best how to spend their own money.

What this debate is really all about is downsizing the power of Washington and upsizing the power of people. This could not have been made more clear when the President spoke in Buffalo the day after his State of the Union address, and he said to the people, assembled there I believe in a hockey arena, We could give you back part of this surplus. That would be an option. But if we did, how would we know that you spend it right?

There is the difference, Mr. Speaker.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. STENHOLM) someone who made a great contribution to our substitute and to the motion to recommit.

(Mr. STENHOLM asked and was given permission to revise and extend his remarks.)

Mr. STENHOLM. Mr. Speaker, I agree that this is a defining debate and a debate about priorities.

The question is are we going to stop the generational mugging of our children and grandchildren? Are we going to give them a stronger or a weaker America?

Our priorities today we believe, in support of the recommitment that the gentleman from Tennessee (Mr. TANNER) will give in a moment, should be

pay down the national debt really, using non-Social Security surpluses to do it, deal with Social Security and Medicare.

Contrary to what the gentleman from Florida (Mr. SHAW) said a moment ago, there are Democrats who have proposed a Social Security fix. And contrary to what the gentleman from Florida (Mr. SHAW) and the gentleman from Texas (Mr. ARCHER) do in theirs, we do not use the same \$1 trillion in proposed or projected surpluses to do it.

And let me correct, \$792 billion in the tax cut. But the gentleman from Texas (Mr. ARCHER) conveniently forgets the \$140 billion we are going to have to pay in interest on that debt.

The Republican bill does not reduce the burden on future generations, and that is what I am most concerned about. Simply using the Social Security surplus to reduce debt held by the public does not reduce the total national debt, it just shifts the debt from one part of the ledger to another.

In fact, under the bill as proposed today, the debt in this country will go from \$5.6 trillion to over \$5.8 trillion over the next 5 years under the plan in which we are debating. And no one can contradict me on that because that is in their bill. The bill leaves no room to address other needs.

I completely accept the gentleman from Texas (Mr. ARCHER) the chairman of the committee. He is very sincere. And I mean no disrespect. He is perfectly willing to cut 27 percent from agriculture over the next 5 years. He is perfectly willing to spend less on defense than the President has proposed. He is perfectly willing to spend less on rural hospitals and allow rural hospitals all over to close. He is perfectly willing to do that, and I understand that. And there are a few others, but I do not think a majority are.

I voted for the tax cuts in 1921. We based that decision on projections on the promise we would cut spending. The result was \$3 trillion more in debt. We cannot afford to take another risky river boat gamble on projections. We cannot afford to take 10- and 15-year projections and spend that money like it is real money I do not believe.

The motion to recommit will provide an opportunity to go back and have a bipartisan budget approach. Let me remind our colleagues today, the motion to recommit is based on the Blue Dog budget that was supported by a majority of Democrats and 29 Republicans. Members on both sides of the aisle that said that they agree with the approach of paying down our national debt, dealing with Social Security and Medicare, and then dealing with tax cuts.

Voting for the recommitment would allow us to go back and work to put together a fiscally responsible bipartisan budget that is based on these principles. I hope my colleagues who once voted for this will again seriously consider, because that is the way we can responsibly deal with our children and grandchildren.

This tax bill, if we vote for the majority approach, will explode the national debt in the second 10 years. At precisely the time we have to come up with a Social Security fix, this bill will increase the national debt by \$4½ trillion. It is irresponsible. It needs to be defeated. Vote for the motion to recommit.

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentleman from Illinois (Mr. HASTERT) the Speaker of the House of Representatives.

Mr. HASTERT. Mr. Speaker, I thank the chairman for yielding me the time.

Mr. Speaker, I rise in support of the Financial Freedom Act and in opposition to the Rangel substitute.

This substitute clears up any confusion on where our friends, the Democrats, stand on tax relief.

According to the Congressional Budget Office, the Democrat substitute actually increases taxes by \$4 billion. We have the largest surplus in history. The Democrat substitute raises taxes by \$4 billion.

Now, we have to give our friends on the other side of the aisle credit. They remain committed to larger Government and bigger spending. What we have here is a basic difference in philosophy, a philosophical difference.

We can do what the Democrats want. They want to spend more of the surplus, including a portion of the Social Security surplus, on more Washington bureaucratic programs. They believe that more Washington spending is responsible.

The President has said that giving this money back to American people is risky because he does not know how the American people will spend their own money. I think the President is wrong. It is not risky to give the American people back the very money that they have earned.

We have a better plan. First we lock away the Social Security surplus so it could be spent only on retirement security. Over 10 years, we put \$2 away for retirement security for every \$1 of tax relief. But over 5 years, the first 5 years, we put away \$800 billion in debt relief and \$156 billion in tax relief, almost a six-to-one ratio in debt relief.

Second, we allow Government to grow slowly. In fact, the Government will increase its spending by more than \$300 billion in the next 10 years under this plan.

This means we can keep funding programs that are important to the American people while we work to cut wasteful Washington spending.

Finally, we give some surplus back to the American people by targeting unfair tax parts of our Tax Code.

We think it is unfair to tax marriage, so we reduce the marriage penalty. And where did the marriage penalty come from? It came from tax writers on this side of the aisle over the last 30 years. It is time to change that.

We believe it is unfair to tax people when they die, so we phase out the death tax so that family farms and

small family businesses can move from generation to generation.

We believe it is unfair to tax people who want to save for their children's education, so we include education savings accounts in this bill.

My colleagues, we believe it is unfair to tax people at the highest rate since the great world war of World War II. We include a 10-percent across-the-board tax cut that phases in over 10 years.

Our tax relief proposal is responsible and it is balanced, and it will keep the budget balanced. It will keep the economy growing, and it will return power back to the American people.

Today the House has a simple choice. We can give some of the surplus back to the people, as we advocate, or we can return to the tax-and-spend policies of our friends on the Democratic side of the aisle.

I urge my colleagues to make the right choice. Vote against the Democrat substitute. Vote for responsible tax relief. And vote to give some of the money back to the American people that go to work every day and punch a time clock and commute to work and earn that money.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the reason the Republicans think that they know what is in the Rangel substitute is because we gave it to the Committee on Rules and we did not change it in the middle of the night. So they have had an opportunity to read it and they read parts of it as they will.

Oh, no, we are talking about a \$250-billion tax cut. But we are talking about it being contingent on the certification that we repair Medicare and Social Security.

Now, if what the majority is saying that they do not intend to do anything with Medicare and do not intend to do anything for Social Security, the one thing that we did, not that we trust them that much, is to assure that the provisions for research and development and job opportunities be continued and we knew we had to pay for those. And where did we find the money to pay for them?

We went to Forbes Magazine. We went to the General Office of Accounting and found out who was violating the corporate laws and we got the corporate shelters people that have been hustling off of this IRS code that they are trying to pull up by the roots and we raised the \$4 billion by closing those loopholes.

I tell my colleagues this: Even if they did nothing, we would still go back to trying honest, equitable tax code and not give away money to people who do not deserve it.

Mr. Speaker, I yield 1 minute to the gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Speaker, there are four problems with the bill before us.

First of all, it does nothing really to strengthen Social Security. It does nothing to strengthen Medicare. Two-

thirds of the benefits go to the richest 10 percent of people in this society, and they are paid for by surpluses that are predicted but will not materialize because they assume that, in the end, this Congress will cut education and health care and veterans and environment by over 20 percent in real terms and that this Congress will not restore badly needed funds to Medicare and to home health care.

If that is not a public lie, it is at least a huge public fib.

I was here in 1981. I saw this Congress whoop through the budget then, making the same kind of promises it is making today about surpluses as far as the eye can see.

Instead of that, what that package did was dig us into the biggest deficit hole in history. It has taken us 18 years to dig out those deficits. And now what does this bill do? It gives us a chance to do it all over again.

You have institutional amnesia. Vote against the bill and for the Rangel substitute.

□ 1330

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Louisiana (Mr. JOHN).

Mr. JOHN. Mr. Speaker, since last night and all during the day today, we have heard a lot of rhetoric and a lot of numbers being tossed around; who could one-up the other.

But what the real question here is, what the real question that we are embarking on today is about our debt and our obligations. Those are two words that you and I in our business, in our household we deal with every day. The interest that we pay on our debt is 17 percent of our budget. \$5.9 trillion.

The best gift that I could give financially to my two twin sons Hayes and Harrison is to pay down that debt. We pay \$280 billion in interest on that debt. That is our debt. Our obligation is Social Security and Medicare. Those programs have been good, they are going to be here. This is our opportunity to do it.

The Blue Dog budget that we have talked about so often does those two things and provides 25 percent of the surplus for targeted tax cuts. That is the common sense way to go about handling the surplus. That is the way we should proceed tonight.

Vote for the motion to recommit.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. DAVIS).

(Mr. DAVIS of Illinois asked and was given permission to revise and extend his remarks.)

Mr. DAVIS of Illinois. Mr. Speaker, I rise in support of the Rangel substitute and in opposition to the Republican Robin Hood in reverse, take from the poor give to the rich, Marie Antoinette-inspired bill.

Mr. Speaker, the Republican plan is an instrument of destruction. Not only does it cut taxes for the wealthy but it cuts the heart out of poor people who

need LIHEAP, senior citizens who need Medicare to help pay for their prescription drugs, babies who need milk, mothers and children who need food, communities that need policemen to cut crime.

These cuts are not good for America and will cause our people and our communities to bleed. I have been told, Mr. Speaker, in the community where I live, when you cut, cut, cut, somebody is going to bleed, and the blood of the American people will be on the hands of those who held the knife.

I will not cut the heart out of the people. Vote for the Rangel substitute.

Mr. RANGEL. Mr. Speaker, I yield myself the balance of my time.

The Republicans have been very creative and political in putting together their document. But before they even put it together, Chairman Greenspan said, the best thing that you can do for this great democracy, this great republic, this great economy, is to reduce the debt.

Now, you have come up with this cockamamie do not cut back the taxes unless the interest rates are dropping. Mr. Greenspan says do not help him.

For God's sake get rid of this. You know it is going to be vetoed. Let us try to create a climate today where Republicans and Democrats can work together, where we can go to the President and negotiate something within a quarter of a trillion dollar tax cut, where we can reduce the Federal debt.

But the most important thing is that you and I can go home and let the American people know that we fulfilled our commitment to the generation that is coming with Social Security and with Medicare.

Now, we know you do not like these programs, but we know that the American people want you to support it. So forget your pride, forget the fact that these are Democratic proposals, and let us try to work together as a United States Congress and not like Republicans and not like Democrats.

Mr. ARCHER. Mr. Speaker, to close the debate on our side, I yield the balance of my time to the gentleman from Texas (Mr. ARMEY).

Mr. ARMEY. Mr. Speaker, the great privilege that we have as a generation of Americans is that we have the opportunity to be the bridge between two great generations of Americans. We begin by honoring our mothers and our fathers, that generation of Americans that saved the world for freedom and democracy, and we provide a bridge from there heroism to our own children, those bright, young, creative engines of prosperity that are turning prosperity into our lives as a result of that freedom they have.

I want to take a moment and thank my colleagues from my party in this body. I want to thank the Speaker for his leadership. I want to thank the gentleman from Texas (Mr. ARCHER) for his stewardship.

Despite the fact that we have understood all through this year and it has

been made clear on the front page of the Washington Post that the Democrats have had a strategy, "We will do nothing for either of these two generations, we forgo any input into policy, we want these issues for politics," we have soldiered on.

We have worked hard, we have had great debates between ourselves on these issues, and I am proud of the debates we have had. In none of these debates did we have people say, "What's in it for me?" The question is, how can we best serve our children's future as we honor our mother and our father?

In doing that we have listened to our children. It has been our children, that great generation of workers and entrepreneurs, that have said, "Take care of retirement security and Medicare security."

We have had our hands reached out across the aisle. We have reached down the avenue to the White House. We have said, "Let's pull together a plan, a long-term plan for Social Security and Medicare stability." We have been met with silence. When the President has tried to reach back, he has been met with chagrin from the Democrats in the House who said, "No, no, this is our political issue. We cannot be trifling with policy." So again we go alone.

Our first step has been to honor these children by locking away, over the next 10 years, \$2 trillion of their payroll taxes for retirement security and Medicare. That will pay down debt, and we will continue to work and hope that the do-nothing Democrats will reform their ways, get over their politics, get over themselves and come to work for this great generation of young people who are saying, "Honor our grandma and grandpa, fix these systems, make it sound, do your duty."

Can we not get beyond our politics? No, they would rather argue and quarrel.

Now, the gentleman from New York (Mr. RANGEL) says, "Oh, you Republicans, you're sneakier than me." Well, that is a generous thing to say. But I have to tell you, Mr. Speaker, I will not read the record of this debate as it comes from the Democrats in this debate because I have a longstanding personal tradition of not reading fiction.

It is enough to quarrel. We should have differences of opinion. But this is the people's body and here we ought to put politics aside and deal with policy.

They say we are irresponsible. They say we are reckless. That is not what the distinguished Senator from Nebraska, Senator KERREY, war hero, has said. He said just yesterday, "Cutting \$800 billion when you have got \$3 trillion coming in is hardly an outrageous, irresponsible move." Cutting \$800 billion over the next 10 years when, over the next 10 years, there will be \$23 trillion, Mr. and Mrs. America, of your hard-earned earnings to come to this great Nation is hardly an irresponsible or outrageous move. No, indeed, it is a respectful move. It is your money. You

earned it. You should not pay more than we need. And we should not need more than we do. And we should give it back and let you keep it.

That is what they are fighting here. They are saying, "Don't take that money and leave it in the hands that earns it. Give it to us." The President said, this President that raised taxes just a few years ago, "We could cut your taxes and hope that you spend it wisely, but we don't want to take that chance."

Well, if you think you know better how to spend for me and my family, let me ask you, when was the last time you got your wife the right Christmas present? No, we will do better for ourselves, thank you. Leave our money in our pockets.

"We need big government programs," they say, more big government programs. Where is the service? They cannot even tell you what they are doing, they themselves.

The President raised taxes and just a few weeks ago, the gentleman from Missouri (Mr. GEPHARDT), the minority leader, said, "I'd be proud to raise taxes." Just a few days ago, he said, "I think we ought to have a \$200 billion tax reduction," and we thought they were going to offer one, but last night, not me, not the Speaker, not the chairman of the Committee on Ways and Means but the Congressional Budget Office evaluated their tax package, that they ask us to vote on right now.

The gentleman from New York may say, "I disagree that your package represents exactly what you say it represents," but he has always conceded it represents a tax cut, albeit he argues for only the rich, but he has never quarreled with the fact that we are offering here a reduction in the taxes of the hardworking men and women of America.

Do not ask us to set that aside. Do not ask us to vote instead for that real tax reduction with which you disagree, the fiction of your substitute, which is judged by the Congressional Budget Office to be, no, not a tax reduction but a tax increase of \$4 billion.

When the gentleman from Missouri (Mr. GEPHARDT) said, on one hand, "I'd be proud to raise taxes" and, on the other hand, "I'm ready to lower taxes," I wondered whom was in fact the minority leader. Now, I know. The real minority leader is the one that brings to this floor to be voted on before the American people, on this day, as a substitute to our tax reduction, a \$4 billion tax increase to add to the \$23 trillion the government is already going to take from your children and my children.

Let us vote that tax increase down and vote for our tax decrease. Let our children have a better job, more take-home pay, a happier, more well-educated family. And when our children die, let them give to our grandchildren all the fruits of their labor, none of which should be stolen from our grandchildren in the form of a death tax.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise to strongly support this amendment.

The Trillion Dollar Tax Break and Deficit Act of 1999 is irresponsible legislation that reeks of political posturing. The bill relies on projections of future surpluses that America may never see. This bill would exacerbate the ills of our economy and would only extend the rich-poor gap that already plagues our country. This substitute would remedy many of the problems found in the original bill. This amendment recognizes that we should target those who need the most help, not those who are the most wealthy.

Among the many reasons that I enthusiastically support this amendment is the fact that it incorporates many important community development initiatives such as an increase in the low-income housing tax credit program and the new markets tax credit proposed by the President to revitalize depressed areas. The City of Houston and I have worked too hard to provide quality low-income housing to the 18th District. To undermine that with a haphazard tax bill is unacceptable. For the sake of our citizens, we must vote in favor of this amendment.

This amendment also accelerates the \$1 million estate tax exclusion and 100 percent deductibility for the health insurance costs of the self-employed, as well as an increase in the costs which small businesses can expense rather than capitalize.

It is important that we recognize the needs of small businesses. Almost four million Texans work in businesses with less than 500 employees, generating a total payroll of about \$100 billion a year. This sector of business is growing. From 1992 to 1996, small businesses have added 162,201 new jobs. In 1998, Texas businesses with less than 100 employees employed 42.4 percent of the Texas, non-farm workforce (up from 40.6 percent in 1996). Small and medium businesses account for more than 67 percent of the Texas workforce. These viable businesses need our support, and this substitute can provide it.

Also important is the fact that this amendment strongly supports the family. The substitute includes modifications to the minimum tax to ensure that middle income families receive the full benefit of the per-child family credit, the education credit, dependent care credit, and other nonrefundable credits. The amendment also provides tax relief for families with children under age 5 for purposes of assisting these families in meeting costs of child care, health care, and other expenses. The relief would arrive in the form of a \$250 increase in the per-child family credit. In addition, the substitute would provide tax relief to families residing in States that use retail sales taxes rather than income taxes to fund their State government.

The family unit is sacred, and we want to do everything within our power to ensure the stability and financial viability of the family. This amendment is an improvement over the original bill because the original bill relies upon an across the board ten percent cut to help American families. Such thinking is naive. Low-income families would only see a tax cut of about \$100. In comparison, the highest one percent of taxpayers would see a tax cut of \$20,000. This situation is unacceptable, and we must vote for this amendment to remedy the problems existing in the original bill.

Finally, it pleases me to see that the amendment recognizes the need for school

modernization. This substitute includes a school construction and modernization initiative that would provide \$25 billion in free-or-interest-cost funds for public school construction and modernization costs. Many of our public schools are in desperate need of repair and renovation. Our children are our future, and they deserve only the best facilities.

Finally, I appreciate this amendment because it treats the taxpayers in my home State of Texas fairly. Since the elimination of the tax deduction in 1986, taxpayers in Texas, a State that does not have an income tax, were forced to deduct less than taxpayers with identical profiles in States that do have an income tax. The amendment contains a provision that will remedy this inequity—the original bill fails to include such a provision. The substitute is based on H.R. 1433, a bill that I co-sponsored, that represented a bipartisan effort that would provide taxpayers with the option of deduction of either state and local income taxes or state and local sales taxes.

Because of the many important and necessary improvements that this amendment provides, I urge my colleagues to vote for this substitute.

Mr. BARCIA. Mr. Speaker, I share many of my colleagues concerns about the heavy tax burden imposed on the hardworking men and women in this country. So, it is with great regret that I rise in opposition to the bill before us today. While it contains the essence of many tax reductions that I personally support and which are long over due, I am deeply concerned about ensuring the solvency of the Social Security and Medicare programs. I am very pleased, however, to support the alternative measure, which will also provide necessary tax relief, but will protect the future of Social Security and Medicare.

Each weekend when I am home in my district, I hear from my constituents that we must shore up the Social Security and Medicare programs. Since 1965 the Medicare program has provided universal health insurance coverage to our nation's seniors. The program's future is in jeopardy and while I also support tax relief, I strongly believe that we must address the solvency of this program, as well as Social Security, for future generations.

It is estimated that by 2034, the Social Security Trust Fund will be depleted. It is essential that we utilize the budget surplus to help secure the future of the program. By exercising appropriate fiscal discipline, Social Security revenues will not be needed to fund discretionary programs and we will be able to preserve and protect Social Security without reducing benefits or shortening retirement.

The marriage penalty tax is one of the single biggest items of interest to the hard-working men and women of our nation. Under the current federal income tax system, married couples pay more income tax than they would if they were single. Instead of eliminating that penalty for all, the bill before us today only reduces by a marginal amount the penalty for less than half of the taxpayers who are affected by it. I cannot go home in good conscience and tell my constituents that we "voted to eliminate the marriage penalty tax" when this bill does not, in fact, achieve that goal.

I firmly believe that we should reduce and eliminate capital gains taxes. I believe that it is immoral to force the break up of family farms and small businesses through the imposition of the estate tax. I also believe that we

should not leave's debt to be paid for by tomorrow's generations. They will have enough problems of their own without being saddled with ours.

The Democratic alternative which I am supporting today provides a more generous relief in the marriage penalty tax. It provides an increase in the family tax credit for young children. It provides tax credits for individuals with long term care needs. It accelerates the 100% deductibility of health insurance premiums paid by self-employed individuals, including farmers and small businessmen. It accelerates the increase in estate tax exclusions, and increases the expensing options for small businesses. It does all of this while providing for the solvency of Social Security and Medicare.

Mr. Speaker, while the tax reduction package may not go as far as many of us would like to go, it is responsible. It is paid for. And, it is based upon reasonable economic projections.

I urge the adoption of the substitute and the rejection of the Committee's bill.

Mr. UDALL of New Mexico. Mr. Speaker, as I travel around my Congressional District, the people of Northern New Mexico make it very clear what they expect from Congress.

Whether I am in Santa Fe or Farmington, Espanola or Clovis, my constituents tell me that they want Congress to protect Social Security and Medicare, to strengthen education, to expand access to health care, and to fight for our veterans.

That is why, Mr. Speaker, I rise today against the irresponsible tax proposal offered by the majority, and in support of the Democratic substitute. The trillion dollar risky Republican tax plan benefits the wealthy while jeopardizing everything my constituents have asked us to fight for.

Mr. Speaker, the majority's proposal is based on risky economic assumptions, that we just don't know to be true. If the current budget projections are wrong, this proposal will send us back to the days of exploding deficits, high inflation rates, and uncertainty over the future of Social Security and Medicare.

My party has offered a proposal to save Social Security and Medicare, and offer targeted tax cuts to those families that need it the most. Mr. Speaker, Northern New Mexico families want this Congress to pass a budget that protects Social Security, Medicare, education and health care.

Northern New Mexico families want and deserve tax relief—but it should be done in an honest and responsible manner. The Democratic substitute does that, Mr. Speaker, through targeted tax credits and giving support to local communities in the areas of education, health care, and economic development.

I urge my colleagues to vote with me to protect the interests of hard working American families and support the Democratic substitute.

Ms. ESHOO. Mr. Speaker, I rise in favor of the Democratic substitute and in opposition to H.R. 2488, the fiscally irresponsible Republican tax bill of 1999. I support the Democratic substitute because it does three things.

First, I believe that the ultimate tax cut are low interest rates for the American people. We will achieve this by paying down our national debt. Second, it secures Social Security and Medicare and third it provides targeted tax cuts that invest in our people and our economy.

One of the tax cuts is making the Research & Development tax credit permanent. This tax credit has been critical to our nation's stunning economic growth, but it is not permanent and recently expired once again. Because of its start-stop nature, companies are unable to rely on the full benefits that the R&D tax credit provides.

Imagine if the home mortgage deduction was temporary. Homeowners would live in uncertainty, and the housing industry would be in chaos.

It's time to make the R&D tax credit permanent. The Democratic substitute makes it permanent; the Republican plan does not.

The Republican plan is irresponsible. It will promote huge budget deficits, more national debt and weaken the American economy. It will set up a generational mugging.

I urge members to vote for the Democratic substitute. We can't go back—we must go forward.

The SPEAKER pro tempore (Mr. THORNBERRY). All time for general debate has expired.

Pursuant to House Resolution 256, the previous question is ordered on the bill, as amended, and on the further amendment by the gentleman from New York (Mr. RANGEL).

The question is on the amendment in the nature of a substitute offered by the gentleman from New York (Mr. RANGEL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

## RECORDED VOTE

Mr. RANGEL. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 173, noes 258, not voting 3, as follows:

[Roll No. 331]

AYES—173

Abercrombie	Deutsch	Jefferson
Ackerman	Dicks	Johnson, E. B.
Allen	Dingell	Jones (OH)
Andrews	Dixon	Kaptur
Baird	Doggett	Kildee
Baldacci	Dooley	Kilpatrick
Baldwin	Engel	Kleczka
Barcia	Eshoo	Kucinich
Becerra	Etheridge	LaFalce
Bentsen	Evans	Lampson
Berkley	Farr	Lantos
Berman	Fattah	Larson
Bishop	Filner	Levin
Blagojevich	Forbes	Lewis (GA)
Blumenauer	Ford	Lofgren
Bonior	Frank (MA)	Lowey
Boswell	Frost	Luther
Boucher	Ganske	Maloney (CT)
Brady (PA)	Gejdenson	Maloney (NY)
Brown (FL)	Gephardt	Markey
Brown (OH)	Gonzalez	Martinez
Capps	Gordon	Matsui
Capuano	Green (TX)	McCarthy (MO)
Cardin	Gutierrez	McCarthy (NY)
Carson	Hall (OH)	McGovern
Clay	Hall (TX)	McKinney
Clayton	Hastings (FL)	McNulty
Clement	Hill (IN)	Meehan
Clyburn	Hilliard	Meek (FL)
Condit	Hinchee	Meeks (NY)
Conyers	Hinojosa	Menendez
Coyne	Hoefel	Millender-
Crowley	Holt	McDonald
Cummings	Hooley	Minge
Danner	Hoyer	Mink
Davis (FL)	Inslee	Moakley
Davis (IL)	Jackson (IL)	Mollohan
DeGette	Jackson-Lee	Moore
DeLauro	(TX)	Moran (VA)

Nadler	Rush	Thurman
Napolitano	Sabo	Tierney
Neal	Sanchez	Towns
Oberstar	Sanders	Turner
Obey	Sandin	Udall (CO)
Ortiz	Sawyer	Udall (NM)
Owens	Schakowsky	Velazquez
Pallone	Serrano	Vento
Pascrell	Sherman	Waters
Pastor	Slaughter	Watt (NC)
Payne	Smith (WA)	Waxman
Pelosi	Spratt	Weiner
Pomeroy	Stabenow	Wexler
Price (NC)	Stark	Weygand
Rangel	Strickland	Wise
Reyes	Stupak	Woolsey
Rodriguez	Tanner	Wu
Roemer	Tauscher	Wynn
Rothman	Thompson (CA)	
Roybal-Allard	Thompson (MS)	

## NOES—258

Aderholt	Franks (NJ)	Mica
Archer	Frelinghuysen	Miller (FL)
Armey	Gallegly	Miller, Gary
Bachus	Gekas	Miller, George
Baker	Gibbons	Moran (KS)
Ballenger	Gilchrest	Morella
Barr	Gillmor	Murtha
Barrett (NE)	Gilman	Myrick
Barrett (WI)	Goode	Nethercutt
Bartlett	Goodlatte	Ney
Barton	Goodling	Northup
Bass	Goss	Norwood
Bateman	Graham	Nussle
Bereuter	Granger	Olver
Berry	Green (WI)	Ose
Biggert	Greenwood	Oxley
Bilbray	Gutknecht	Packard
Bilirakis	Hansen	Paul
Bliley	Hastert	Pease
Blunt	Hastings (WA)	Peterson (MN)
Boehlert	Hayes	Petri
Boehner	Hayworth	Phelps
Bonilla	Hefley	Pickering
Bono	Herger	Pickett
Borski	Hill (MT)	Pitts
Boyd	Hilleary	Pombo
Brady (TX)	Hobson	Porter
Bryant	Hoekstra	Portman
Burr	Holden	Pryce (OH)
Burton	Horn	Quinn
Buyer	Hostettler	Radanovich
Callahan	Houghton	Rahall
Calvert	Hulshof	Ramstad
Camp	Hunter	Regula
Campbell	Hutchinson	Reynolds
Canady	Hyde	Riley
Cannon	Isakson	Rivers
Castle	Istook	Rogan
Chabot	Jenkins	Rogers
Chambliss	John	Rohrabacher
Chenoweth	Johnson (CT)	Ros-Lehtinen
Coble	Johnson, Sam	Roukema
Coburn	Jones (NC)	Royce
Collins	Kanjorski	Ryan (WI)
Combest	Kasich	Ryun (KS)
Cook	Kelly	Salmon
Cooksey	Kind (WI)	Sanford
Costello	King (NY)	Saxton
Cox	Kingston	Scarborough
Cramer	Klink	Schaffer
Crane	Knollenberg	Scott
Cubin	Kolbe	Sensenbrenner
Cunningham	Kuykendall	Sessions
Davis (VA)	LaHood	Shadegg
Deal	Largent	Shaw
DeFazio	Latham	Shays
Delahunt	LaTourette	Sherwood
DeLay	Lazio	Shimkus
DeMint	Leach	Shows
Diaz-Balart	Lee	Shuster
Dickey	Lewis (CA)	Simpson
Doolittle	Lewis (KY)	Sisisky
Doyle	Linder	Skeen
Dreier	Lipinski	Skelton
Duncan	LoBiondo	Smith (MI)
Dunn	Lucas (KY)	Smith (NJ)
Edwards	Lucas (OK)	Smith (TX)
Ehlers	Manzullo	Snyder
Ehrlich	Mascara	Souder
Emerson	McCollum	Spence
English	McCrery	Stearns
Everett	McHugh	Stenholm
Ewing	McInnis	Stump
Fletcher	McIntosh	Sununu
Foley	McIntyre	Sweeney
Fossella	McKeon	Talent
Fowler	Metcalfe	Tancredo

Tauzin	Traficant	Weldon (FL)
Taylor (MS)	Upton	Weldon (PA)
Taylor (NC)	Visclosky	Weller
Terry	Vitter	Whitfield
Thomas	Walden	Wicker
Thornberry	Walsh	Wilson
Thune	Wamp	Wolf
Tiahrt	Watkins	Young (AK)
Toomey	Watts (OK)	Young (FL)

## NOT VOTING—3

Kennedy	McDermott	Peterson (PA)
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□ 1405

Messrs. SHADEGG, SHOWS, MAS-CARA, RAHALL, CHABOT, CRAMER, PHELPS and OLVER changed their vote from "aye" to "no."

Ms. DEGETTE, Mrs. MEEK of Florida and Mr. BALDACCII changed their vote from "no" to "aye."

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

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

## MOTION TO RECOMMIT OFFERED BY MR. TANNER

Mr. TANNER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. TANNER. In its present form, I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion.

The Clerk read as follows:

Mr. TANNER moves that the bill, H.R. 2488, be recommitted to the Committee on Ways and Means with instructions to promptly report the same back to the House with an amendment—

(1) which provides a net 10-year tax reduction of not more than 25 percent of the currently projected non-Social Security surpluses, and

(2) which provides that the effectiveness of each tax reduction contained therein is contingent on a certification by the Director of the Office of Management and Budget that—

(a) 100 percent of the Social Security Trust Fund surpluses and 50 percent of the non-Social Security surpluses are dedicated to reducing the amount of the publicly-held national debt,

(b) there are protections (comparable to those applicable to the Social Security Trust Fund surpluses) that assure that 100 percent of the Social Security Trust Fund surpluses and 50 percent of non-Social Security surpluses are used to reduce the amount of publicly-held national debt, and

(c) 100 percent of the Social Security Trust Fund surpluses and 50 percent of the non-Social Security surpluses shall not be available for any purposes other than reducing publicly-held national debt.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Tennessee (Mr. TANNER) is recognized for 5 minutes in support of his motion.

Mr. TANNER. Mr. Speaker, earlier today in the debate there was some conversation about what Chairman Greenspan would or would not do. Just a few minutes ago, I am told, he testified in response to a question about this tax cut bill that quote, "I remain where I was the time I appeared before

you and the time before that. The reduction that occurs in the Federal debt as a consequence of reducing the debt is an extraordinarily effective tool for a good economy; it moved interest rates lower, the cost of capital is lower, it led to expansion of economic growth. Therefore, as I said before, we must let the surplus run. If I was asked what our first priority should be, it would be to let the surplus run and reduce the Federal debt."

Mr. Speaker, during the debate today, we have really come a long way. The President, the Republicans, the Democrats, the Congress, the Senate, even, we have come a long way; but this debate today is about what to do with the \$792 billion that is involved in this tax cut. It is us versus our children and grandchildren.

And why do I say us? It is because we, particularly those of us over 40, have benefited from the consumption on borrowed money over the last 25 or 30 years, but it is our children and grandchildren that have the most to lose today.

I did not sleep particularly well last night, and in my fitfulness I envisioned that I was part of the majority and voted for this Republican bill. I was proud of this vote, and I went home to back-slapping at the civic clubs and standing ovations at the political rallies. People told me how proud they were of me, and I really felt great about myself.

But then this theme changed and I found myself at a grade school back home, a young fellow with a cowlick came up and said, Mr. Congressman, you are an important guy, you take good care of us and our country. My classmates and I appreciate Congress and the President agreeing not to spend the Social Security Trust Fund anymore. We hope you can live up to that. Mr. Congressman, I know we don't have a lobbyist, we don't have a PAC, we can't even vote.

All we have, Mr. Congressman, is you and your fellow Members to look out for us. We know you grown-ups work hard and need a tax cut and we want you to have one. But sir, could I ask you, would you just split the surplus with us? Would you just give us half? We know our future is tied to the amount of debt America owes and the interest we know we will have to pay during our adult years on that debt. Would you just split this \$792 billion surplus with us?

I said, No, kid. I need 80 to 90 percent of it. You are right, I am important. I have the power to take it for myself. I can take the money and run. Look, kid, life is not fair, and the sooner you learn that, the better.

And then, Mr. Speaker, I woke up. I was not quite so proud of my vote. I was not even proud about anything I had done. He did not have a lobbyist, he did not have a PAC, he could not vote. All he and his friends have is us, Congress people.

Well, little buddy, you might not have a lobbyist or PAC, or you cannot

vote, but you are just as important part of the American family as any adult in this country. So when we say, let us give it back to the people, little buddy, you are one of the people and one of the most important, because you are our big future. Split with you, you ask? I am proud to split it with you. It is the least I can do. That is why we offer this motion to recommit.

Give them half of this \$792 billion. Pay it on the debt. That little boy and our kids' future may well depend on it.

□ 1415

The SPEAKER pro tempore (Mr. THORNBERY). Does the gentleman from Oklahoma (Mr. WATTS) seek to claim the time in opposition to the motion?

Mr. WATTS of Oklahoma. Yes, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Oklahoma (Mr. WATTS) is recognized for 5 minutes.

Mr. WATTS of Oklahoma. Mr. Speaker, I would say to my friend, the gentleman from Tennessee (Mr. TANNER), rather than giving half of that \$790 billion, Republicans, we propose to put \$800 billion in debt relief over the next 5 years.

Mr. Speaker, when the gentleman from Illinois (Mr. HASTERT) became Speaker of the House, he said that we would give the American people tax relief; we would send education dollars back home; said we would take every dollar of Social Security and set it aside for Social Security retirement, and he said we would strengthen our national defense.

I have been baffled over the last 12 hours, as I have listened to the debate that I have heard here on the floor, because one would not think that the Republicans, that we do any of that stuff. One would think that it was just horrible all the things that I have heard over the last 12 hours in this debate.

Mr. Speaker, once and for all, let me share with the American people what our tax relief and our tax fairness package does. We are going to give the American people over the next 10 years, we are going to give them about \$792 billion in tax relief and in tax fairness, and in this tax relief package and in this tax fairness package, we are going to eliminate the marriage tax penalty. We do not think it is fair that people have to pay more money if they are a married couple than they do if they are two individuals. We don't think that is fair.

We are going to eliminate death taxes. We believe it is unfair that people have to face the undertaker and the IRS in the same week. That is unfair.

Mr. Speaker, we have heard over the last 12 hours that eliminating the death tax, it is helping the rich.

Well, Mr. Speaker, let us say that I am a millionaire and I am worth a million dollars. If I die and I choose to leave my family farm or my small business to my kids and my grandkids, it is not benefiting me. I am dead. I get

nothing out of that. It is for my kids and for my grandkids.

We do that. We take care of that.

Mr. Speaker, we say we want to cut taxes 10 percent across the board over the next 10 years. Mr. Speaker, we said for every two dollars that we set aside for Social Security retirement, we are going to put one dollar in for tax relief. I think that is fair.

This is about people. We have been talking about numbers and we have heard all kind of numbers over the last 12 hours. Mr. Speaker, this is not about numbers. It is about people, the folks back home, my half a million or so constituents. They get up every morning wondering how are we going to find money to buy school clothes for the kids? How are we going to find money to buy new tires for the car? The washer and dryer went out last week. How are we going to find money to pay for the new washer and dryer that we need.

This is about people. It is about families. It is about working moms working from paycheck to paycheck to make ends meet. It is about working families working from paycheck to paycheck to make ends meet; giving them more of their money to free up their time, not having to work but so they can spend it with their kids and with their grandkids. That is what this is about, securing the future for our families, for our children, for our farmers.

That is what it is about, helping them to pursue the hopes, the dreams and the ambitions, the goodness. That is what it is about.

We have heard a lot of babble over the last 12 hours. I have listened to some of the debate, and from time to time I would hear things that I would feel like saying, give me a physical break. \$800 billion we are paying down on the national debt. We are securing the Social Security trust fund.

The President said here about a year ago, 8 months ago, he said let us take 62 percent of the surplus and set it aside for Social Security.

We created the lockbox. We said when that FICA fellow, and everyone will see it on their paycheck, when that FICA fellow takes money out of the paycheck, we are going to force him to do with it what he says he is going to do with it. Save it in the lockbox for retirement.

Mr. Speaker, we have a great opportunity, a great opportunity, in the next few minutes, to do a lot for our families, for working moms, working dads, for small businesspeople, for farmers. I beg my colleagues not to blow it.

I oppose this motion to recommit. I urge a no vote, and vote yes on final passage.

Mr. NEAL of Massachusetts. Mr. Speaker, I strongly support the motion to recommit offered by the Blue Dog Democrats. It makes common sense to save half the budget surplus for deficit reduction, and it is hard for me to believe that this would be controversial.

I understand a sense of Congress resolution in favor of debt reduction has now been added to Chairman ARCHER's bill. That clarifies the

issue. You can either vote for the motion to recommit to actually accomplish debt reduction, or you can vote to say you are for debt reduction without taking any action to do it.

Mark my words, the Republican tax bill will plunge us back into deficit spending before its is fully implemented. According to the Congressional Budget Office, if you assume that appropriations bills will increase by the rate of inflation, and there is no emergency spending for 10 years, then its \$996 billion surplus shrinks to \$247 billion. The difference, if the Republican tax bill passes, will be deficit spending.

And its \$3 trillion cost of the Republican tax bill when fully implemented during the second ten years will plunge us off a deficit cliff just as surely as lemmings heading to the sea.

This motion to recommit is the last opportunity to turn away from the cliff. I hop my colleagues will use their common sense, and vote for this motion to recommit.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. TANNER. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 211, noes 220, not voting 3, as follows:

[Roll No. 332]

AYES—211

Abercrombie	Deutsch	Kanjorski
Ackerman	Dicks	Kaptur
Allen	Dingell	Kildee
Andrews	Dixon	Kilpatrick
Baird	Doggett	Kind (WI)
Baldacci	Dooley	Kleczka
Baldwin	Doyle	Klink
Barcia	Edwards	Kucinich
Barrett (WI)	Engel	LaFalce
Becerra	Eshoo	Lampson
Bentsen	Etheridge	Lantos
Berkley	Evans	Larson
Berman	Farr	Lee
Berry	Fattah	Levin
Bishop	Filner	Lewis (GA)
Blagojevich	Forbes	Lipinski
Blumenauer	Ford	Lofgren
Bonior	Frank (MA)	Lowey
Borski	Frost	Lucas (KY)
Boswell	Ganske	Luther
Boucher	Gejdenson	Maloney (CT)
Boyd	Gephardt	Maloney (NY)
Brady (PA)	Gonzalez	Markey
Brown (FL)	Goode	Martinez
Brown (OH)	Gordon	Mascara
Capps	Green (TX)	Matsui
Capuano	Gutierrez	McCarthy (MO)
Cardin	Hall (OH)	McCarthy (NY)
Carson	Hall (TX)	McGovern
Clay	Hastings (FL)	McIntyre
Clayton	Hill (IN)	McKinney
Clement	Hilliard	McNulty
Clyburn	Hinchee	Meehan
Condit	Hinojosa	Meek (FL)
Conyers	Hoefel	Meeks (NY)
Costello	Holden	Menendez
Coyne	Holt	Millender-
Cramer	Hooley	McDonald
Crowley	Hoyer	Miller, George
Cummings	Insee	Minge
Danner	Jackson (IL)	Mink
Davis (FL)	Jackson-Lee	Moakley
Davis (IL)	(TX)	Mollohan
DeFazio	Jefferson	Moore
DeGette	John	Moran (VA)
Delahunt	Johnson, E. B.	Murtha
DeLauro	Jones (OH)	Nadler

Napolitano	Roybal-Allard	Tauscher
Neal	Rush	Taylor (MS)
Oberstar	Sabo	Thompson (CA)
Obey	Sanchez	Thompson (MS)
Olver	Sanders	Thurman
Ortiz	Sandlin	Tierney
Owens	Sawyer	Towns
Pallone	Schakowsky	Traficant
Pascrell	Scott	Turner
Pastor	Serrano	Udall (CO)
Payne	Sherman	Udall (NM)
Pelosi	Shows	Velazquez
Peterson (MN)	Sisisky	Vento
Phelps	Skelton	Visclosky
Pickett	Slaughter	Waters
Pomeroy	Smith (WA)	Watt (NC)
Price (NC)	Snyder	Waxman
Rahall	Spratt	Weiner
Rangel	Stabenow	Wexler
Reyes	Stark	Weygand
Rivers	Stenholm	Wise
Rodriguez	Strickland	Woolsey
Roemer	Stupak	Wu
Rothman	Tanner	Wynn

NOES—220

Aderholt	Gilchrest	Ose
Archer	Gillmor	Oxley
Armey	Gilman	Packard
Bachus	Goodlatte	Paul
Baker	Goodling	Pease
Ballenger	Goss	Petri
Barr	Graham	Pickering
Barrett (NE)	Granger	Pitts
Bartlett	Green (WI)	Pombo
Barton	Greenwood	Porter
Bass	Gutknecht	Portman
Bateman	Hansen	Pryce (OH)
Bereuter	Hastert	Quinn
Biggert	Hastings (WA)	Radanovich
Bilbray	Hayes	Ramstad
Bilirakis	Hayworth	Regula
Bliley	Hefley	Reynolds
Blunt	Herger	Riley
Boehlert	Hill (MT)	Rogan
Boehner	Hilleary	Rogers
Bonilla	Hobson	Rohrabacher
Bono	Hoekstra	Ros-Lehtinen
Brady (TX)	Horn	Roukema
Bryant	Hostettler	Royce
Burr	Houghton	Ryan (WI)
Burton	Hulshof	Ryun (KS)
Buyer	Hunter	Salmon
Callahan	Hutchinson	Sanford
Calvert	Hyde	Saxton
Camp	Isakson	Scarborough
Campbell	Istook	Schaffer
Canady	Jenkins	Sensenbrenner
Cannon	Johnson (CT)	Sessions
Castle	Johnson, Sam	Shadegg
Chabot	Jones (NC)	Shaw
Chambliss	Kasich	Shays
Chenoweth	Kelly	Sherwood
Coble	King (NY)	Shimkus
Coburn	Kingston	Shuster
Collins	Knollenberg	Simpson
Combest	Kolbe	Skeen
Cook	Kuykendall	Smith (MI)
Cooksey	LaHood	Smith (NJ)
Cox	Largent	Smith (TX)
Crane	Latham	Souder
Cubin	LaTourette	Spence
Cunningham	Lazio	Stearns
Davis (VA)	Leach	Stump
Deal	Lewis (CA)	Sununu
DeLay	Lewis (KY)	Sweeney
DeMint	Linder	Talent
Diaz-Balart	LoBiondo	Tancredo
Dickey	Lucas (OK)	Tauzin
Doolittle	Manzullo	Taylor (NC)
Dreier	McCollum	Terry
Duncan	McCrary	Thomas
Dunn	McHugh	Thornberry
Ehlers	McInnis	Thune
Ehrlich	McIntosh	Tiahrt
Emerson	McKeon	Toomey
English	Metcalf	Upton
Everett	Mica	Vitter
Ewing	Miller (FL)	Walsh
Fletcher	Miller, Gary	Wamp
Foley	Moran (KS)	Watkins
Fossella	Morella	Watts (OK)
Fowler	Myrick	Weldon (FL)
Franks (NJ)	Nethercutt	Weldon (PA)
Frelinghuysen	Ney	Weller
Galleghy	Northup	
Gekas	Norwood	
Gibbons	Nussle	

Whitfield Wilson Young (AK)  
Wicker Wolf Young (FL)

NOT VOTING—3

Kennedy McDermott Peterson (PA)

□ 1438

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. THORNBERRY). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

## RECORDED VOTE

Mr. CARDIN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 223, noes 208, not voting 3, as follows:

[Roll No. 333]

AYES—223

Aderholt	Foley	McCrery
Archer	Fossella	McHugh
Armey	Fowler	McInnis
Bachus	Franks (NJ)	McIntosh
Baker	Frelinghuysen	McKeon
Ballenger	Gallegly	Metcalf
Barr	Gekas	Mica
Barrett (NE)	Gibbons	Miller (FL)
Bartlett	Gilchrest	Miller, Gary
Barton	Gillmor	Moran (KS)
Bass	Gilman	Myrick
Bateman	Goode	Nethercutt
Bereuter	Goodlatte	Ney
Biggart	Goodling	Northup
Bilbray	Goss	Norwood
Bilirakis	Graham	Nussle
Bishop	Granger	Ose
Bliley	Green (WI)	Oxley
Blunt	Greenwood	Packard
Boehlerlert	Gutknecht	Paul
Boehner	Hall (TX)	Pease
Bonilla	Hansen	Petri
Bono	Hastert	Pickering
Brady (TX)	Hastings (WA)	Pitts
Bryant	Hayes	Pombo
Burr	Hayworth	Porter
Burton	Hefley	Portman
Buyer	Herger	Pryce (OH)
Callahan	Hill (MT)	Radanovich
Calvert	Hilleary	Ramstad
Camp	Hobson	Regula
Campbell	Hoekstra	Reynolds
Canady	Horn	Riley
Cannon	Hostettler	Rogan
Chabot	Houghton	Rogers
Chambliss	Hulshof	Rohrabacher
Chenoweth	Hunter	Ros-Lehtinen
Coble	Hutchinson	Roukema
Coburn	Hyde	Royce
Collins	Isakson	Ryan (WI)
Combest	Istook	Ryun (KS)
Condit	Jenkins	Salmon
Cook	Johnson (CT)	Sanford
Cooksey	Johnson, Sam	Saxton
Cox	Jones (NC)	Scarborough
Crane	Kasich	Schaffer
Cubin	Kelly	Sensenbrenner
Cunningham	King (NY)	Sessions
Danner	Kingston	Shadegg
Davis (VA)	Knollenberg	Shaw
Deal	Kolbe	Shays
DeLay	Kuykendall	Sherwood
DeMint	LaHood	Shimkus
Diaz-Balart	Largent	Shuster
Dickey	Latham	Simpson
Doolittle	LaTourette	Skeen
Dreier	Lazio	Smith (MI)
Duncan	Leach	Smith (NJ)
Dunn	Lewis (CA)	Smith (TX)
Ehlers	Lewis (KY)	Souder
Ehrlich	Linder	Spence
Emerson	LoBiondo	Stearns
English	Lucas (KY)	Stump
Everett	Lucas (OK)	Sununu
Ewing	Manzullo	Sweeney
Fletcher	McCollum	Talant

Tancredo Upton  
Tauzin Vitter  
Taylor (NC) Walden  
Terry Walsh  
Thomas Wamp  
Thornberry Watkins  
Thune Watts (OK)  
Tiahrt Weldon (FL)  
Toomey Weldon (PA)

NOES—208

Abercrombie	Gutierrez	Obey
Ackerman	Hall (OH)	Olver
Allen	Hastings (FL)	Ortiz
Andrews	Hill (IN)	Owens
Baird	Hilliard	Pallone
Baldacci	Hinchee	Pascarell
Baldwin	Hinojosa	Pastor
Barcia	Hoeffel	Payne
Barrett (WI)	Holden	Pelosi
Becerra	Holt	Peterson (MN)
Bentsen	Hooley	Phelps
Berkley	Hoyer	Pickett
Berman	Insee	Pomeroy
Berry	Jackson (IL)	Price (NC)
Blagojevich	Jackson-Lee	Quinn
Blumenauer	(TX)	Rahall
Bonior	Jefferson	Rangel
Borski	John	Reyes
Boswell	Johnson, E. B.	Rivers
Boucher	Jones (OH)	Rodriguez
Boyd	Kanjorski	Roemer
Brady (PA)	Kaptur	Rothman
Brown (FL)	Kildee	Roybal-Allard
Brown (OH)	Kilpatrick	Rush
Capps	Kind (WI)	Sabo
Capuano	Kleccka	Sanchez
Cardin	Klink	Sanders
Carson	Kucinich	Sandlin
Castle	LaFalce	Sawyer
Clay	Lampson	Schakowsky
Clayton	Lantos	Scott
Clement	Larson	Serrano
Clyburn	Lee	Sherman
Conyers	Levin	Shows
Costello	Lewis (GA)	Sisisky
Coyne	Lipinski	Skelton
Cramer	Lofgren	Slaughter
Crowley	Lowe	Smith (WA)
Cummings	Luther	Snyder
Davis (FL)	Maloney (CT)	Spratt
Davis (IL)	Maloney (NY)	Stabenow
DeFazio	Markey	Stark
DeGette	Martinez	Stenholm
DeLaunt	Mascara	Strickland
DeLauro	Matsui	Stupak
Deutsch	McCarthy (MO)	Tanner
Dicks	McCarthy (NY)	Tauscher
Dingell	McGovern	Taylor (MS)
Dixon	McIntyre	Thompson (CA)
Doggett	McKinney	Thompson (MS)
Dooley	McNulty	Thurman
Doyle	Meehan	Tierney
Edwards	Meeke (FL)	Towns
Edwards	Meeke (NY)	Traficant
Eshoo	Menendez	Turner
Etheridge	Millender	Udall (CO)
Evans	McDonald	Udall (NM)
Farr	Miller, George	Velazquez
Fattah	Minge	Vento
Finer	Mink	Visclosky
Forbes	Moakley	Waters
Ford	Mollohan	Watt (NC)
Frank (MA)	Moore	Waxman
Frost	Moran (VA)	Weiner
Ganske	Morella	Wexler
Gejdenson	Murtha	Weygand
Gephardt	Nadler	Wise
Gonzalez	Napolitano	Woolsey
Gordon	Neal	Wu
Green (TX)	Oberstar	Wynn

NOT VOTING—3

Kennedy McDermott Peterson (PA)

□ 1455

So the bill was passed.  
The result of the vote was announced as above recorded.

The title of the bill was amended so as to read:

“A bill to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000.”

A motion to reconsider was laid on the table.

PROVIDING FOR CONSIDERATION OF H.R. 2561, DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2000

Mr. SESSIONS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 257 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 257

*Resolved*, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 2561) making appropriations for the Department of Defense for the fiscal year ending September 30, 2000, and for other purposes. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations. After general debate the bill shall be considered for amendment under the five-minute rule. Points of order against provisions in the bill for failure to comply with clause 2 of rule XXI are waived. During consideration of the bill for amendment, the Chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the Congressional Record designated for that purpose in clause 8 of rule XVIII. Amendments so printed shall be considered as read. The chairman of the Committee of the Whole may: (1) postpone until a time during further consideration in the Committee of the Whole a request for a recorded vote on any amendment; and (2) reduce to five minutes the minimum time for electronic voting on any postponed question that follows another electronic vote without intervening business, provided that the minimum time for electronic voting on the first in any series of questions shall be 15 minutes. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER. Without objection, the gentlewoman from North Carolina (Mrs. MYRICK) is recognized for one hour.

There was no objection.

□ 1500

Mrs. MYRICK. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from Texas (Mr. FROST) pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Yesterday the Committee on Rules met and granted an open rule for H.R. 2561, the Fiscal Year 2000 Department of Defense Appropriations Act.

The rule provides for 1 hour of general debate equally divided between the chairman and ranking minority member of the Committee on Appropriations. The rule waives all points of