

At the end of a budget markup, the staff is given the right to make technical changes. That is not unusual, and I don't object to that. But by cutting spending by \$60 billion a year, they are eliminating the prospect that this could be a technical change. I know some people around here are used to sloughing off a few million dollars here and there. But \$60 billion in a year? Even here that is a large sum of money. That doesn't just sidestep the rules; in my opinion, it goes over the line. I am going to ask the Parliamentarian now whether or not there are prohibitions to changing a Committee-passed resolution or bill without consulting the committee before it is presented to the floor for consideration.

The PRESIDING OFFICER. Rule XXVI requires a quorum to report out a measure, and it is not in order to change a measure once reported.

Mr. LAUTENBERG. Thank you, Mr. President. I thank the Parliamentarian.

All this then, as I see it, is designed to deny the minority the right to participate meaningfully in this debate and hide the facts from the American people.

Anytime the Senator from New Mexico has a question, I am happy to answer; or shall I finish what I am doing?

Mr. DOMENICI. I am sure. The Senator may finish his speech. I am going to make my point as to why it is in order, if the Senator from New Jersey is talking about this.

Mr. LAUTENBERG. Shall I finish?

Mr. DOMENICI. Sure.

Mr. LAUTENBERG. Mr. President, I am going to have more to say later about the breakdown of the budget process and what I consider the abuse of the minority rights.

I personally believe the exclusion of the minority through the budget resolution and reconciliation process is one reason the whole budget process is in such a difficult mess, and it largely explains why we have these terrible train wrecks and huge omnibus bills at the end of each fiscal year.

Be that as it may, I would be happy, before I leave this place, to have a series of discussions with my colleagues on both sides of the aisle about what maybe we can do to get the fiscal year kicked off in a proper fashion with the budget, and as we should do with the Budget Committee.

But that is not for the moment because that doesn't have anything to do with the \$60 billion per year "technical change" being simply wrong. I think it is an abuse of the committee process. It is not fair to the minority. Frankly, it does raise a bit of a sad commentary on the whole budget process.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I am just without words about such an argument that we did something really wrong. We did nothing wrong. The staff of the minority had an invention in their mind. They kept it quiet.

Have you ever hunted quail? You know that they spread after you shoot. They hunker down and hide and don't want anybody to hear them.

They had in mind knocking this whole budget resolution out because of this issue right here. If we had not made the technical change that is in this resolution, indeed, they would have made the whole thing die and we wouldn't have a budget resolution.

Let me tell you, their budget resolution would fail on the same grounds. The President's would fail on the same grounds. And the truth of the matter is that I sought and received, with a quorum present before the final vote, unanimous consent to make technical amendments. I asked for that. I received consent. And the technical changes are very clear. The language of the chairman's mark made it clear that the caps would be met. That is \$540 billion, and an adjustment would be made of nearly \$60 billion. We don't cut anything. We say the first appropriations bill will lift the caps, and a \$60 billion fund that is in title 14 will become operative.

That is not untoward. It is not making shambles of the budget process. If people want to know what makes a shambles with it, I can stay here for a month and talk about it. But this isn't one.

As a matter of fact, this Senator has been a very loyal supporter of getting things done right. I am absolutely amazed that he would read such language from a piece of paper—that this particular technical change has wreaked havoc.

I would like to meet with both sides to talk about how to fix the budget resolution. Let me tell you, we will meet with both sides. He can be present, and I will be present. We will have a list of 50 items before we ever get around to technical changes that are harming the budget process.

It is absolutely clear to everyone what we are doing. If we were trying to deceive anyone and were really in some way cutting \$60 billion out of this budget, and in some clandestine way we were going to do it, then I would be here saying I did something that is untoward. I didn't do that. That is not the case.

There is no objection to this budget resolution based upon what I did and the unanimous consent that was granted. There is no question about it, in my opinion. I wouldn't have done it if there were any question.

Soon I would like to suggest we get on to a couple of amendments. But I don't have them ready yet. So I will sit down and let the minority speak.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I ask unanimous consent to proceed as if in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE NEED FOR TAX SIMPLIFICATION

Mr. HATCH. Mr. President, in less than two weeks, American taxpayers face another federal income tax deadline. Although this year's deadline falls on a Saturday, and is thus deferred for two days, the date of April 15 stabs fear, anxiety, and unease into the hearts of millions of Americans. Some discomfort with filing tax returns and, especially, with paying taxes, is understandable and probably unavoidable. Paying taxes will never be fun. But neither should it be cruel and unusual punishment.

But because of the complexity of our federal income tax system, for millions of American taxpayers, completing the forms can be sheer torture. According to the Tax Foundation, American taxpayers, including businesses, spend more than 5.4 billion hours and \$250 billion each year in complying with tax laws. That works out to more than \$2,400 per U.S. household. This is astounding, Mr. President.

Last year, over 126 million individual income tax returns were filed. The good news is that about 25 million of these were filed on Forms 1040EZ or 1040A, which are significantly easier to complete than Form 1040. Nearly six million more taxpayers last year filed over the telephone, simply by pushing buttons. I am pleased to note that the Internal Revenue Service is making strides in improving telefiling and also electronic filing. The bad news is, however, that the majority of taxpayers still face filing tax forms that are far too complicated and take far too long to complete.

According to the estimated preparation time listed on the forms by the IRS, the 1999 Form 1040 is estimated to take 12 hours and 51 minutes to complete. This is an increase of 77 minutes from 1998.

Moreover, Mr. President, this does not include the estimated time to complete the accompanying schedules, such as Schedule A, for itemized deductions, which carries an estimated preparation time of 5 hours, 39 minutes, or Schedule C, for taxpayers with a business, which has an estimated time of 10 hours, 19 minutes. Schedule D, for reporting capital gains and losses, shows an estimated preparation time of 5 hours 34 minutes.

Even though millions of taxpayers are spared having to file the more complex 1040 with its many schedules, I believe the majority of Americans are intimidated by the sheer number of different tax forms and their instructions, many of which they may be unsure whether they need to file. Simply trying to determine that a certain form is not required can itself be an overwhelming task, given the massive set of instructions and the approximately 325 possible forms that individual taxpayers must deal with.

This is the instruction book for 1999 individual tax returns, Mr. President. It includes 116 pages, not counting the forms themselves.

It is no wonder that well over half of all taxpayers, 56 percent according to a recent survey, including a large number of my colleagues in the House and Senate, now hire an outside professional to prepare their tax returns for them. However, the fact that only 29 percent of individuals itemize their deductions shows that a significant percentage of our taxpaying population believes that the tax system is too complex for them to deal with, even though they may qualify to file one of the simpler forms.

Moreover, Mr. President, this complexity is getting worse each year. As I mentioned, just from 1998 to 1999 the estimated time to prepare Form 1040 jumped 77 minutes. Going back a few years, to tax year 1988, we see that the estimated preparation time was only 9 hours and 17 minutes, so we have an increase of 38 percent since 1988. The number of pages in this 1988 instruction book is only 59. So, in a matter of 11 years, we have nearly doubled the hassle factor for our constituents.

I might note, Mr. President, that the income tax system was not always so complicated. I hold here the very first Form 1040, the 1913 edition. This form totaled three pages for the form and just one page for the instructions. But as Congress changed the tax code over the years, the cumulative results have left us with a quagmire of tax rules that would challenge the wisdom of Solomon and the genius of Einstein—not to mention the patience of Job. In fact, the genius of Einstein might not even help here. Albert Einstein himself is quoted as saying “the hardest thing in the world to understand is the income tax.”

As much as we in Congress would like to blame the Internal Revenue Service for this mess, Mr. President, I am afraid that we instead need to look in the mirror to see who is responsible for the complexity of our tax system. After all, the Internal Revenue Code is our creation. And what a creation it is. According to the Congressional Research Service, the tax code last year included over 2.8 million words. The Holy Bible itself has only about 775,000 words. Obviously, God did not need to issue such copious instructions for living as we currently have for complying with the tax laws.

Moreover, the pace of change to the Internal Revenue Code is quickening. According to Charles Rossotti, Commissioner of Internal Revenue, Congress made about 9,500 tax code changes in the past twelve years. And we are far from being finished. Currently, there are at least 11 pending bills that have been reported by the House Ways and Means and Senate Finance Committees that have changes to the Internal Revenue Code. In addition, we are talking about passing still more tax bills this year. What started as a trickle in 1913 has become an avalanche in 2000.

So, what is the solution, Mr. President? Many of my colleagues, myself

included, have berated the tax code and the Internal Revenue Service, calling for both to be eliminated and replaced with a system that is much simpler. Such an idea seems to be a popular one, judging by the applause lines I receive when I mention this concept in speeches, and by the mail I have received on the subject.

I do believe that our current tax is seriously flawed and that Congress, led by the President, should enact legislation that would give the American people the tax system they deserve—one that is simpler, fairer, and geared to the needs of our economy in the 21st Century.

This is not an easy proposition, Mr. President. Nor is it one that can be completed in a short period of time. One major problem has been the lack of presidential leadership. As with so many other vital issues facing this great country, the Clinton-Gore Administration has been AWOL on tax reform—aloof without leadership.

It seems that the Administration's solutions to almost every societal and economic problem has boiled down to one of two things—targeted tax cuts or revenue increases. Both have had devastating effects on the complexity and fairness of the tax code. And again, there is plenty of blame to go around for this, right here on Capitol Hill.

But even when we have a president willing to show us the way to a new tax system, the problems of such a monumental undertaking are enormous. Just the task of educating ourselves and the taxpaying public on what the effects of fundamental tax reform would be, and how each taxpayer would be affected, is a large one indeed.

Moreover, computing the effect of such a change on the economy and figuring out how to make a fair transition will be truly daunting. This will be the case whether we decide to adopt a flat-tax, a consumption tax, or some hybrid system. Indeed, the inability of members of Congress to unite behind one reform plan, after years of discussion, is but one indication of how difficult this job of fundamental tax reform will be.

This is not to indicate in any way, Mr. President, that I shrink from or do not favor the idea and need for fundamental tax reform. I am fully convinced that we, as a nation, must find a better tax system. I merely wish to point out that getting to that point is a long and difficult journey that, when looked upon with a realistic eye, will not be accomplished in the next two to three years under the best of circumstances. I believe it will take a minimum of five years.

In the meantime, what do we do? Do we simply sit on our hands and lament the terrible tax code and wish for the day we can change things? Not in my book, Mr. President. I believe we should take action, starting this year, to improve our present tax system. For all of the Internal Revenue Code's many flaws, there are numerous incremental steps we can take this year and

over the next two years that can dramatically lessen the complexity and increase the fairness of our tax code.

In the next few weeks, I intend to introduce legislation that will represent the “down payment” or first installment of what I believe will be a significant multi-year tax simplification package. This first installment will include a number of tax simplification provisions designed to make tax life easier for each category of taxpayers, including business filers. A considerable portion of the bill will be repeal provisions. After all, repeal of an overly complex and outdated tax provision is the ultimate reform.

My tax simplification plan will be in three installments because I believe that, for a number of reasons, trying to simplify the entire code in one year may be too large an undertaking to succeed. Rather, I believe that a three-part plan, each containing significant, but digestible, relief for different classes of taxpayers, is a more practical approach.

Each of these three installments will include a centerpiece repeal provision that would remove from the Internal Revenue Code a major source of complexity that, in my view, is beyond repair and should simply be eliminated. For the first installment, the provision to be repealed is the individual alternative minimum tax (AMT).

The individual AMT is growing out of control and, if left unchecked, will become a source of major complexity to millions of taxpayers, most of whom it was never intended to affect. The alternative minimum tax was originally established in 1969 as a sort of backstop provision to ensure that sophisticated taxpayers who took advantage of some of the tax code's incentive provisions, called tax preferences, paid at least some minimum amount of tax.

The AMT was expanded as part of the 1986 Tax Reform Act, with the changes taking effect in 1987. The Joint Committee on Taxation estimates that only 140,000 individual taxpayers were required to pay the individual AMT that year. By 1999, that estimate had grown to 823,000 taxpayers, largely because the thresholds for determining minimum tax liability were not indexed for inflation. In other words, as incomes grew because of inflation and other factors, more and more people found themselves subject to the AMT. This is a major flaw, Mr. President, which will bring millions of middle-class families into the net of the minimum tax over the next ten years.

As serious as this problem is, a worse one also lurks in the AMT. Because of structural problems with the provision, some of which have been temporarily solved on a year-to-year basis through 2001 only, the minimum tax serves as a limitation to families receiving the major tax relief Congress passed in 1997 in the form of the child credit and the education credits. If not corrected or repealed, this “AMT time bomb” will affect 17 million taxpayers by 2010, according to the Treasury Department.

Many of these taxpayers, Mr. President, are not wealthy by any stretch of the imagination. We are talking about middle-class American families here, many struggling just to raise their children. Let me give you an example from this chart entitled: The Effect of The Alternative Minimum Tax on a Middle-Class Family of Five.

Todd and Mary Anderson live in Murray, Utah, and have three children. Their oldest daughter, Sarah, is a freshman in college. The younger two children, Mark and Marcia, are twins in the fifth grade. Todd and Mary are both school teachers and together earn \$80,000 per year. This is not a wealthy family by any measure.

However, Mr. President, this family will be paying at least \$878 of alternative minimum tax beginning in 2002. Moreover, because the AMT exemption is not indexed for inflation, the minimum tax for the Andersons will get larger each year as their income rises because of cost of living adjustments.

Perhaps almost as aggravating for this family as the higher taxes is the fact that they will need to file the alternative minimum tax form with their annual tax return. Not only does this entail mastering an 8-page set of instructions, which are estimated to require 6 hours to learn about and complete, but also preparing a 50-line form along with a 10-line worksheet.

This kind of extra complexity is simply unjustified for any taxpayer, but more especially for families like the Andersons, who have nothing out of the ordinary about their financial situation.

Mr. President, the best way to reform provisions like the individual alternative minimum tax is simply to repeal them. This is exactly what my bill would do.

As I mentioned earlier, this first installment of my simplification initiative will have provisions that are designed to simplify the tax lives of every group of taxpayers. Let me outline what the major provisions would be and who they would benefit.

For lower-income taxpayers, probably the most complex feature of the current tax law is the earned income tax credit (EITC). This credit is vital to the livelihoods of millions of working American families. Unfortunately, the computation of the credit is so complicated that many professional tax preparers do not even know how it works. My bill does two things, Mr. President. First, it would significantly simplify the credit, and second, it would enhance it so more low-income families could take advantage of it.

Besides the repeal of the alternative minimum tax, my bill will also aid middle-class taxpayers by vastly simplifying the capital gains tax. Many of my constituents were thrilled in 1997 when Congress lowered the capital gains tax rates from 28 percent to 20 percent. However, many were not as excited when they found out what the new law meant come tax return filing

time—a 54-line Schedule D accompanied by two worksheets and seven pages of instructions. This is compared to a 39-line form and just two pages of instructions prior to the change.

I plan to simplify capital gains by changing from the current maximum rate approach to a 50 percent exclusion approach, as was the case before the 1986 Tax Reform Act repealed the capital gains preference. In other words, taxpayers would be allowed to exclude 50 percent of the long-term capital gain from gross income. The remaining 50 percent would be taxed at ordinary income rates. This would do away with the need for a special computation on the tax forms. It would also result in a lower capital gains rate for every tax bracket, with those in the lowest tax brackets getting the largest rate decreases.

My tax plan would greatly simplify taxes for taxpayers in the upper-middle income and upper-income brackets by repealing two phaseout provisions that are both unwarranted and very complex. These provisions, which phase out the benefits of personal exemptions and itemized deductions for taxpayers with incomes above certain thresholds, are nothing more than backdoor tax increases Congress passed in 1990. Repeal of these provisions would make a significant contribution to simplification.

Corporate taxpayers will also find tax simplification provisions in this first installment of my tax plan, Mr. President, including a provision to equalize the interest rate that the IRS pays corporate taxpayers on overpayments with the rate that companies must pay when they owe the government. Future installments of my simplification plan will have even more corporate provisions.

Finally, each of the three installments of my simplification plan will include ten to fifteen smaller, yet important, simplification provisions that, taken together, would make a significant difference in lessening the complexity of the Internal Revenue Code.

American taxpayers are fed up with our tax system and want to see some serious changes made. Like all members of this body, I hear from my constituents each day who complain about taxes. This has been the case since the first year I was privileged to represent the State of Utah here in the Senate. Over the years, the nature of the complaints has changed, however. Years ago, I mostly heard from constituents that taxes were too high or were unfair. While I still hear plenty of complaints of this nature, I have begun hearing more and more from Utahns who are just plain sick and tired of the complexity of our tax code.

We need to take action now to reduce complexity. We should not wait for a new president, nor for a groundswell of popular support for either the flat tax or a national consumption tax. Let's start this year, Mr. President, with a tax simplification plan that begins the long process of making our current sys-

tem both fairer and simpler. In the meantime, we should also continue the national debate about how to best replace the tax code with a new system. I urge my colleague to join me in this undertaking.

I thank the Chair.

FISCAL YEAR 2001 BUDGET— Resumed

The PRESIDING OFFICER (Mr. GORTON). The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I will respond to my distinguished colleague, the chairman of the Budget Committee, who assailed my comments about whether or not there was something—let me call it surreptitious; perhaps I even suggested that—in the challenge that I raised to the so-called point of order dispute or technical change.

Once again I read, as I did before, from the concurrent resolution on the budget, page 41, line 8:

(a) FINDINGS.—The Senate finds the following:

(1) The functional totals with respect to discretionary spending set forth in this concurrent resolution, if implemented, would result in legislation which exceeds the limit on discretionary spending for fiscal year 2001 set out in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985.

That is pretty clear; it says if we exceed the "limit on discretionary spending," which we do, and the Parliamentarian confirms that because we say the "functional total." These words are very significant words. This is not happenstance; it is in here.

This is not simply a technical change. They are changing the amount substantially. My friend, the chairman, says it was approved in committee action. What was approved? The fact is, there was probably an error because these totals do break the discretionary caps and everybody knows that based on the functional totals.

Suddenly we knock off, to use the expression, \$60 billion when, in fact, it was purported to be \$4.4 billion. What do we have? It is not a technical change. That doesn't fit the definition anymore than a \$30 billion change in the highway spending was a technical change. That happened. These are not technical changes. This is the real thing.

I challenge the Republicans again in the committee. I hate being on the other side of the debate with my friend from New Mexico. He knows the subject; however, he can make mistakes as all Members can. There is definitely an attempt, in my view, to remove the 60-vote point of order in order to accomplish their goal because there are only 55 Republicans and they can't get 60 votes. They made a neat change after the committee finished its deliberation, in the functional totals, and thereby abolish the 60-vote point of order.

We are not going to stand by and let it go unnoticed whether it is comfortable or uncomfortable for the majority. They made the decision. We