So we see that 80 percent of small employers have to spend costly resources to protect their families from the death tax. There is a tremendous amount of money in attorneys' fees, accountants' fees, life insurance premiums all going towards that eventual date when the person dies that there be enough resources out there to pass that farm on to the kids. What happens when that money is used for expenses like that, it does not get plowed back into the business.

Mr. TOOMEY. If the gentleman will yield once again, that is a very important point. There is an enormous amount of money, by many responsible estimates, as much or more than what is collected from the death tax every year, is spent to avoid it.

Now think of how counterproductive that is; to force people to spend that kind of money all to circumvent this onerous tax. The gentleman is exactly right. This money is going to pay attorneys and accountants to set up trusts and all kinds of funds and to pay massive amounts of insurance premiums, which is such a counterproductive use of this capital.

This is money that could be invested in our economy to grow the economy, to grow those small businesses, to create more of those jobs that we know these businesses are so inclined to do if given the opportunity. But instead, we force them to allocate resources in a way that makes no economic sense; no sense for their business; no sense for our economy. It is all driven by this terrible flaw in the Tax Code, which is why it is so important that we repeal the death tax in its entirety rather than just create some increase in the exemption.

If we just increase the exemption, we have not gotten rid of the problem. We have diminished it somewhat, but the only way to resolve this problem is to repeal an unfair tax.

Mr. MANZULLO. If we just increase the exemption, then the next Congress can come back and lower it way back again. Back in 1992, before I was elected to Congress, there was a bill that was introduced that would lower the then-exemption from $400,000 to under $200,000, which would make it even more obstructive.

We have introduced a bill called the Small Employer Tax Relief Act of 2001, H.R. 1037, that is a bipartisan bill. I signed onto it, helped draw it, along with the gentlewoman from New York (Ms. VELÁZQUEZ), who is the ranking minority member on the Committee on Small Business. I believe that this is a breakthrough, a bill that really will help small businesses.

First of all, small businesspeople that are not incorporated should be allowed to write off 100 percent of the cost of health and accident insurance for the self-employed. My brother is facing $600 and $700 a month for health and accident insurance, and there are small businesspeople that actually go out of business, decide to work for somebody else, simply because they can get the health insurance benefits. So it is time that this Congress really stepped up to the plate and said, look, for too long we have gone with playing games. Now I think it is only 60 percent is deductible.

Mr. TOOMEY. Again, I think this is a very important point, because again we have a Tax Code that causes such an inappropriate distortion in our economy. We have a Tax Code that says if a corporation goes out and buys insurance, health insurance for an employee, the corporation can deduct that as a legitimate expense. It is deducted from their tax liability. That is fine.

When an individual or a small business, unincorporated small business, goes out and tries to purchase that identical policy, that person cannot deduct it.

Now, what is the possible justification for that?

Mr. MANZULLO. There is no rationale for it.

Mr. TOOMEY. It is not rational. It is not in the interest of anybody to do this, but yet we perpetuate this, even in light of the fact that we have millions of Americans who are uninsured.

Clearly, many of those would be better able to afford the insurance if they could deduct it; just as corporations already do.

I think what the chairman is suggesting is merely that individuals get the same kind of treatment that corporations already get.

Mr. MANZULLO. Yes.

Mr. TOOMEY. Why would we not extend that tax treatment to individuals?

Mr. MANZULLO. It is just something that the small businesses have been trying and trying for the longest period of time to get, and it has had a very difficult time getting through. Hopefully, it will get through this year.

On this bipartisan bill, as to which I believe the gentleman is a cosponsor, it would get rid of it by repealing the FUTA, a 2 percent surtax. It would increase expensing up to $50,000. In fact, we are in the process now of looking at whether or not the small business owner or the casual investor should be allowed to set his or her own depreciation schedule.

I just put a rubber roof on a building, a 130-year-old building, not worth that much but the roof cost $25,000. The law says one has to take 39 years to depreciate it. It has a 10-year warranty on parts and a 5-year warranty on labor. It absolutely does not make sense to have arbitrary rules like that.

If we allowed the small business owner to set his or her own depreciation schedule, then, for example, I could choose the number of years I want to do it, say 4 or 5 years, but if I expense it then I could no longer add it to the basis for the property when I sell it. Well, that is all right.

To have to go through that tremendous expense and really get very little tax break to help with it, simply does not make sense.

So there are a lot of things that we can do. This small business bill also allows small businesses with annual gross receipts of $5 million or less to automatically use a cash method of accounting as opposed to the accrual system.

The gentleman would recall a hearing that was held in the Committee on Small Business where people were involved in the installation of drywall. It was a very small company and the Federal Government said even though they did not have a storehouse where they took the drywall, and even though they called the wholesaler and the wholesaler delivers the drywall directly to the place where it is to be installed, that we are going to consider this to be inventory and, therefore, we are going to tax them on the accrual method, which means that they are taxed based upon what they bill as opposed to what they receive.

This is a company of about 12 people, got hit with a $200,000 tax bill. Now, it does not make sense because essentially the Federal Government collects no more money on the accrual system than it does on the cash system.

Mr. TOOMEY. It is really a question of timing, is it not, in terms of the Federal revenue on the taxes?

Mr. MANZULLO. It is.

Mr. TOOMEY. It is a question of timing, which is not terribly important to the Federal Government but it is incredibly important to the small business operator who in the example the gentleman just presented is forced to pay a huge tax bill on income that he has not collected yet. Is that correct?

Mr. MANZULLO. And may never collect.

Mr. TOOMEY. Right.

Mr. MANZULLO. In fact, the IRS had entered into some type of an agreement with a dentist in downstate Illinois that said he would have to be on the accrual method. We got wind of this and worked with a couple of organizations. I actually sat down with Commissioner Rossotti of the IRS. His background is in systems as opposed to being a tax attorney. He was really surprised that one of his 106,000 employees had forced this dentist to do that, and he put an end to it.

So we see all of these tremendous numbers of abuses and we are really working on, I believe, some monumental, in fact bipartisan, legislation to help out the small businesspeople.

I appreciate the gentleman from Pennsylvania joining us today for special orders.

SIX-MONTH PERIODIC REPORT ON NATIONAL EMERGENCY WITH RESPECT TO IRAN—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 107–68)

The SPEAKER pro tempore (Ms. HART) laid before the House the following message from the President of the United States; which was read and,

together with the accompanying papers, without objection, referred to the Committee on International Relations and ordered to be printed:

To the Congress of the United States:

As required by section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), I transmit herewith a 6-month periodic report on the national emergency with respect to Iran that was declared in Executive Order 12170 of November 14, 1979.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 9, 2001*.

WHAT ARE OUR REAL NATIONAL PRIORITIES?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentlewoman from California (Ms. MILLENDER-MCDONALD) is recognized for 60 minutes as the designee of the minority leader.

Ms. MILLENDER-MCDONALD. Madam Speaker, it is good to be here today, though I am saddened by the fact that a budget has passed out of this House and I was unable to be on this budget resolution. That budget did not speak to the needs of my community. In fact, it did not speak to many communities, that of the environmental community as well as the education community.

It is amazing that the President said, when he was Candidate Bush, that he promised a new era of environmental protection, and that we should leave no child behind. Yet the impact of this budget today was simply that: We are leaving children behind, and the environment has not been given anything to enhance or direct some of the toxic wastes, the brownfields and all of those other environmental hazards that impact my district.

□ 1630

I can recall that last year in the budget when we talked about 100,000 new teachers. When I was a teacher, I really did gleam at the whole notion that we would for once pay attention to the importance of quality teachers, to bring those 100,000 new teachers into classrooms, whereby no child would be left behind in having a quality teacher.

When we talked about reducing class sizes, where class sizes would be no more than 20 students per class, again I was excited about the budget last year that brought forth those types of innovative provisions and initiatives that certainly did speak to leaving no child behind.

Today's budget resolution did not have either of those in there. In fact, the President has been very inconsistent with the application of his promise. If the President were true to his promise, he would not cut critical and necessary environmental and education programs.

It is so important for Watts in my community and other Members' urban communities to have gotten from this body a budget that would speak to the issues that are so important to them, and yet we rushed quickly to get out the $1.6 trillion tax cut, which invariably the Senate did reduce a bit to a $1.35 trillion tax cut overall.

I am for a tax cut, have always been for one, but we must have targeted tax cuts that will enable us to have those 100,000 new teachers, that will enable us to have those reduced class sizes, so that in my districts of Compton and Watts and the Los Angeles Unified School District, students really will get quality education that they sorely need.

It is important that the American people understand that the children that we speak about are poor children. Those 53 million children that we have to educate in this country are poor, they are disabled; they are, for the most part, limited English speaking. They are in need of a budget that speaks to them, a budget that does not leave them behind.

So the Republican proposal provided less than half the average funds Congress granted the Department of Education for the past 5 years, in speaking to education, the Department of Education that Congress granted over the past 5 years, speaking to education, speaking to the environment, speaking to those needs of the children, the majority of the children who make up the 53 million children who are in dire need of those qualified teachers.

This proposal that the majority put out fraudulently inflates their increase by taking credit for funding previously provided initiatives during the past administration for the 2002 appropriations. In reality, Madam Speaker, that is not the way you do business in terms of a budget.

Let us look at some of the things that happened in this budget proposal. It actually guts out school renovation, whereby States have to then divert $1.2 billion in their 2001 budget to fund other critical education programs, because they need more than $100 billion to bring classrooms up to adequate condition.

I certainly would like for Members who voted on this budget to come to my district and to look at the classrooms in my district, where the ceilings are falling, where the seats have splinters, where the students cannot move around in the seats because they will really be in danger of getting some type of sore, some kind of mark, or just simply cannot sit still in a seat because the seat is not adequate for them.

I would like for you to come to my district, where we do not have computers for every student, that once a semester they get a different teacher, and this teacher has an emergency credential.

I want those who really voted on this budget to come to my district to look at the school environment and recognize that this budget did not speak to those students. This budget also caps the Individuals With Disabilities Education Act, IDEA, funding at $1.25 billion. Disabled students, students we are trying to bring into the mainstream, should be in the mainstream of education, having now to deal with caps and funding that is below par in meeting their needs, the needs of these students who have special needs, but still are very sharp, very much wanting to be in the mainstream of education, and needing the funding to provide them the type of resources that are critically needed.

Madam Speaker, it also cuts educational technology funding by $55 million, less than the 2001 freeze level of $872 million. What a travesty. We have an H1–B bill that passed out of this House sending for folks from other countries over here to do high-tech jobs because we do not have trained personnel for these jobs, and yet we are not even in the process of trying to train the future leaders in high-tech when we cut educational technology by $55 million.

I have just mentioned to you that these schools do not have computers for every child or even a computer for every two or three children in a classroom; and if you look at the projections of the workforce in the next 5, 10, or 15 years, they will be the absolute children we are talking about today who are the poor children who will not have a chance to move into the world of work and high-tech jobs. They will simply be unable to meet the criteria for these jobs because of our not putting the money in a budget today that speaks to education for our children who will be the workforce of tomorrow.

So, I am simply concerned about this. It is a critical issue that really touches me deeply, because I was sent here by people who want to make their life better by education. They want to have a better quality of life by ensuring that their children have a qualified teacher and that the class sizes are conducive to learning. That means students who are in classes which have no more than 20 students.

So I say to you, those of you who voted on this bill, obviously you do not need the money for educational technology. Perhaps you do not need the money in your district for the individuals with disabilities. But I certainly do, and many of the Members here who represent urban and rural districts need this. So when we talk about ''leave no child behind,'' I am afraid this budget in terms of education has left many children behind, many of whom represent the 53 million children who I speak of today.

When we talk about the environment, we again recognize that Candidate Bush promised a new era of environmental protection. I have grandchildren who talk about the water, because they have heard by others and have seen on television that we have a problem with arsenic in our drinking water. Yet this budget rescinded an